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Chilean Minister Addresses Municipal Conference

PY0510173395 Santiago EL MERCURIO in Spanish 28 Sep 95 p C4

[Report by Mauricio Silva]

[FBIS Translated Tex] Iquique — Addressing over 900 municipal authorities from Chile, Mercosur [Common Market of the South] and Andean Pact member countries who gathered outside the local Municipal Theater, Interior Minister Carlos Figueroa urged them to try to overcome institutional, legal, and administrative stereotypes which have created national policies that are not in line with the current challenges of integration.

Figueroa was the main speaker at the opening of the Sixth Congress of the Latin American Committee of Municipal Parliaments.

He praised the regionalization and decentralization processes currently implemented in Chile because, he said, it is an undertaking encompassing a formidable cultural task challenging deep-rooted traditions.

He said: "The president of the Republic is strongly committed to achieving this challenge, which is the basis for Chile's development. He is also aware that the development of each Chilean region will be achieved by allowing the individual regions, its provinces and municipal districts to develop their own insertion into the world."

Navies Agree To Create Integrated Communications Network

PA0510160095 Madrid EFE in Spanish 2231 GMT 4 Oct 95

[FBIS Translated Text] Santa Fe de Bogota, 4 Oct (EFE) — The commanders and delegates of the navies of 11 Latin American countries, who have been meeting in Santa Fe de Bogota since 3 October, agreed today to create an integrated communications network to exchange naval scientific and technological information.

The officials of the naval forces are participating in the first Inter-American Naval Conference on Science and Technology, which will be held until 6 October at the Santa Fe de Bogota Military Club.

Electronic maritime charts, computer cartography, simulated war games, and environmental matters stand out among the issues the conference is analyzing.

Captain Edgardo Barrientos (Argentina), Vice Admiral Mario Jorge Ferreira (Brasil), Commander Luis Salgado Ibanez (Chile), Jose Olmedo (Ecuador), and Captain Julio Alberto Yon (Guatemala), as well as Lieutenant Commander Guillermo Figueredo Lopez (Paraguay), Captain Rafael de Jesus Monzon (Dominican Republic), Captain Conrado Ramirez (Venezuela), and the Peruvian and Uruguayan representatives are attending the conference.

In addition, Antonio Palau, of the Inter-American Naval Communications Network [Red Interamericana de Comunicaciones Navales] (IANTIN), and Colombia's Rear Admiral Sergio Garcia Torres and Navy Commander Admiral Holdan Delgado Villamil are also among the participants in the conference.

Cuba

Foreign Minister: Political-Economic System Endures

PA0510192295 Havana PRENSA LATINA in Spanish 2026 GMT 2 Oct 95

[Interview with Foreign Minister Roberto Robaina Gonzalez by Roberto Molina at the United Nations in New York; date not given — first four paragraphs are introduction]

[FBIS Translated Text] United Nations, 2 Oct (PL) — Foreign Minister Roberto Robaina has reiterated that Cuba and its political-economic system persist despite failed forecasts of its eventual collapse.

In an interview with PRENSA LATINA prior to his return to Havana following a week of intense work at the United Nations, Robaina has said there are those who have made erroneous forecasts and have arrived at wrong conclusions on Cuba's survival.

We exist today, and to exist is the greatest proof that we have prevailed, Robaina has said.

Following is the complete text of the Cuban foreign minister's statements:

[PRELA] What are the similarities and what are the differences between your current visit to the 50th UN General Assembly and that of the previous year?

[Robaina] I would say the similarities are still the need for and the practical possibility for the United Nations to collectively face the challenges.

The reasons that brought us together last year are still present, and this point is where the differences are. It is the same context with the same problems.

The fundamental difference lies perhaps in that there is a greater sensitivity one year afterward, especially toward the poor of this world. Regrettably, though, those of us who are sensitive and have a wish to modify the United Nations are not the ones who wield the power. This point is where the main difference still exists.

[PRELA] What is your opinion of Secretary General Butrus Butrus-Ghali's report on Resolution 49-9 condemning the U.S. blockade of Cuba?

[Robaina] We have been carrying out this resolution year after year, but it is still incomplete even though it means a step forward, because it is based on what many countries and institutions are able to say, according to their opinions, on what the blockade means to Cubans.

As I said at the UN plenary session and in other places, a policy such as the blockade needs something more than votes and reports. We need to begin coming out of the condemnation and enter into action. For Cubans, the condemnation on its own is not the solution to the problem.

[PRELA] When you speak of action, to what are you referring? What do you have in mind?

[Robaina] When I say action I am basically referring to whomever dared to vote and be on our side and who should also dare to do what the country needs: invest.

I am not calling on the United Nations to invest, because it does not have to invest, but I am asking that it play a greater role; that is, that it not only condemn with a resolution and issue a report such as the one they delivered.

I believe we need to try to attain greater sensitivity through the programs themselves, through the same way we have a relationship with the United Nations.

As I walked the UN corridors, several representatives of countries have told me that they share our view but that we must understand they cannot vote with us. I believe, then, the United Nations has to contribute so that people lose that fear, and I feel that this is what is needed.

The United Nations cannot just resign itself to receiving a report from a country. It needs to speak in stronger terms, regardless of whether a resolution is approved, because it is the actual countries' voting in the end that approves a resolution and not the United Nations.

[PRELA] How would you describe your meeting with U.S. businessmen, and what are the prospects?

[Robaina] The meeting is part of an attitude that has been changing substantially. U.S. businessmen realize more and more every day that Cuba is a market that holds possibilities for the rest of the world and for them, but they are denied this opportunity.

I believe they are becoming tired, because they can travel to any country in the world except Cuba, and they can invest anywhere in the world except in Cuba. This contradicts the so-called freedom existing in the United States. There is ever growing interest, and now with Cuba's new Investment Law we have given the elements to learn of what these possibilities consist.

They themselves are the ones who are worried, because openness and civilization are being requested, and the United States itself encourages a law (Helms-Burton) that is diabolical, not only with Cuba but with humankind.

Businessmen are more and more willing, at least, to win in sensitivity, and I consider this point was not so some years back.

[PRELA] What are the immediate priorities of Cuban foreign policy?

[Robaina] Cuban foreign policy priorities have not changed, and time has reaffirmed them.

There is no greater priority in Cuban foreign policy than to continue our struggle against that unfair blockade, especially because it has been suggested now that it be intensified and made international.

The rest pertains to showing the world our truth, virtues, and imperfections and being able to say at a podium what we do, how we do it, and how we have resisted.

It is decisive for the country to find an economic way out, and to this avail it is very important that we explain to the world what possibilities we have and what possibilities we offer.

Immediate tasks are topics such as the blockade, democratization of the United Nations and the dismantling of the human rights campaign, as well as the economic priority.

[PRELA] What message will Cuba take to the Ibero-America summit in Bariloche (Argentina) and the Nonaligned Movement in Cartagena de Indias (Colombia), and what will it bring to the UN 50th anniversary?

[Robaina] All the summits we have ahead are meetings where Cuba's main message is delivered by the mere fact that Cuba attends.

There are those who have reached the conclusion that the Cuba we have defended for over 30 years would not be present, not just in these summits, but would not reach the years 1990, 1991, 1992, and 1993. We do exist, however, and our existence is the greatest proof we have prevailed.

We will attend all those summits with our truth. We will go to Bariloche with such an important topic as education, about which Cuba has much to say: Despite all the adversities, Cuba has attained the highest levels of education, comparable to those of any of the world's developed countries.

To Cartagena we will take the message that the Nonaligned Movement needs to be strengthened. If this was necessary when the world was bipolar, it is much more so today, when this same world is unipolar.

At the United Nations, Cuba's message was contained in my speech in the debate, and it will continue to be expressed in much more stimulating and much more brilliant speeches my country will deliver.

At the United Nations, the message is that there is a need above all, in the face of such a complicated world, 50 years after its creation that countries be truly united in the problems we have.

I know summits alone do not solve problems. No meeting, however important, resolves problems, but the fact that heads of state are made more sensitive is an important step. Many of them up to now have not become sensitive to humankind's problems.

Fifty years afterward, the United Nations is carrying out many operations having nothing to do with what the world really needs. I insist there has to be money for bread, milk, and many such things if there is money for Blue Helmets. And these messages need to be brought to this venue 50 years afterward.

Lage Interviewed on Recent Economic Changes

PA0610034395 Santa Fe de Bogota EL TIEMPO in Spanish 1 Oct 95 p 11A

[Interview with Carlos Lage, vice president of the Council of State, by EL TIEMPO international editor Victor Manuel Vargas; place and date not given]

[FBIS Translated Text] Carlos Lage, the "brain" of the Cuban opening and economic reform, visited Bogota this week. He came to present the new foreign investment law to Colombian businessmen and officials. With this legislation, Cuba hopes to attract capitals that will generate jobs, wealth, and in the long run, rescue the island from the dismal situation it has been facing since the Soviet bloc collapsed.

Carlos Lage, a fairly young (42 years) and extremely down-to-earth — not simple — man, gave EL TIEMPO a few minutes from his busy agenda to talk about current changes in Cuba.

[Vargas] Since you arrived in Bogota, you have said that Cubans are not losing sleep over the Burton-Helms bill, which tightens the U.S. economic blockade on Cuba. Could you explain that to me?

[Lage] The explanation is historical: At the time the revolution seized power, 90 percent of Cuba's trade was conducted with the United States. After the revolution, the United States broke relations with Cuba, imposed a blockade, and financed and supported armed actions against us.

Later, the socialist bloc — which was our main commercial partner — collapsed, and the United States intensified its blockade with the Torricelli law...[ellipses as published] All of these events have taken place in the past 35 years and the revolution has prevailed. Our goals, our ideals, our resolve to continue going forward has endured. What can this bill represent to us? Just another law, another law like the Torricelli law, another

U.S. campaign that we have learned to resist and fight. We have confidence and strength that we can also face this law.

[Vargas] Aren't you underestimating it?

[Lage] No. I believe laws of this sort are harmful. They hinder the country's efforts, and create a climate of anxiety and hostility regarding Cuba, which precludes foreign investment. However, I believe the U.S. policy of intensifying the blockade is increasingly being rejected in Europe, Latin America, the U.S. partners in NAFTA (Canada and Mexico) and other countries.

[Vargas] Have you thought of any plan just in case the Helms-Burton bill is approved?

[Lage] To go along our own path. We do not have a special plan against the law. We have a plan and a program to overcome our current difficulties, which are truly serious, and adopt the necessary measures that will enable our socialist system — under the new world economic conditions — to become stronger and move forward. We have confidence in this.

[Vargas] In light of the recent changes — the legalization of the dollar and self-employment, the creation of farmers markets that operate under the law of free demand and supply, and so on — many people wonder: How much more will Cuba change, or rather, what won't Cuba give up?

[Lage] We are determined to maintain our political system. We are determined to maintain our objective to uphold the victories of socialism in Cuba and we will implement all the changes that are necessary to adapt our economy to the world economy. It is not possible to envision a socialist system or any other type of system in isolation. Today, everything leans toward interrelation and globalization. These are objective realities brought about by development, technology, communications, and we cannot envision a socialist system developing outside this reality. On the contrary, we visualize the development of our socialist system in a close relation with the world economy.

Now, socialism is based on the predominant weight of the state economy, and we believe this is an important element for the state to impart social justice, and engage in efforts to reduce social inequities to a minimum. We believe that a state that lacks enough authority and strength also lacks the capacity to impart the social justice the people need.

We also believe in the concept of a planned economy and the concept of programmed development that is not simply contingent on the laws of the market. In a world where everything is programmed, where everything goes on the computer, development — the most essential factor — cannot be played by ear.

I believe moral and political values play a pivotal role. I believe that the more the morale of the leaders can be preserved and the stronger their relation with the masses, the greater the possibility will be to preserve a socialist system, irrespective of the economic transformations being experienced.

We want to implement economic transformations, but within these principles.

[Vargas] What about democracy?

[Lage] Democracy is the participation of the people and the people must be aware of the situation to participate. The people must know how to read and write; and must have a political culture, education, and access to the country's political life. And to accomplish these goals, a country needs to develop.

Democracy is not merely a concept that can be systematically linked to a pluralistic system. Democracy is too much of an important and great human ideal to lock it into a society's specific political system. We do not want to go back, but we want to consolidate what we have achieved through the revolution and the socialist system in the area of democracy.

[Vargas] Most Latin Americans find it hard to believe that a country would choose to have one party of its own free will and that 98 percent of its people would vote for that party when elections are held.

[Lage] It is strange because it is different, not because it is not real.

Cuba only has one party, but it is not an electoral party. The remark that people vote for the party is not correct; the people vote for the citizens running in the elections. The party is the force that organizes society and that melds it into a whole. We believe the unity of the nation in an underdeveloped country is a vital requirement for development. In addition, if one considers that Cuba is faced with a blockade and virtually lives in a state of siege, one realizes that preconceived schemes cannot be applied to Cuba. Our situation does not resemble those being faced by other Latin American countries.

Our electoral system is not sufficiently known.

[Vargas] Forgive me, but in Cuba, several people told me that anyone who was not a member of the party or anyone who opposes the regime could not become a candidate?

[Lage] That is not true, because there is a large number of candidates who are not members of the party.

There are even deputies, delegates to the provincial and municipal assemblies who do not belong to the party. What happens is that in order to be elected, the candidate who has been nominated must obtain the vote of a majority of the population present. If most of the population present is against the system, they will nominate persons who are also against the system. In other words, the electoral system demands that in order to sustain the program of the revolution, a majority of the population must support it. This constitutes an important democratic element.

You would be surprised with the heavy voter turnout. There has been a revolution in Cuba, a process of mass participation to decide the fate of the country. The population approved the Constitution; and the investment law was discussed with numerous organizations, as well as the measures of economic cleansing. In any country with a market economy, any citizen might experience a 20-percent salary reduction overnight if there is a drop in the stock market or an increase in the inflation rate. In our case, to adopt price or tax measures, we drafted a law that we discussed with all of the country's workers. Then, the citizens do have a hand in deciding the fate of the nation and that is firmly expressed in a willingness to vote.

[Vargas] With all these economic changes, aren't you scared that some sort of subversive process in cultural terms might take place within Cuba? That those values and mentality that socialism has tried to instill might collapse in light of the increasing infiltration of values and forms of culture typical of capitalism?

[Lage] It is possible. That danger exists in the sense that as the opening becomes greater, the socialist values begin to clash in an increasingly open manner with capitalist values. We hope the socialist values will be strong enough so as to come out triumphant from that clash. We are not avoiding that clash; we are not avoiding the opening because we are afraid the socialist values will be eroded. We believe they must be capable of holding up even under the conditions of an economic opening, and that the economic accomplishments and the moral values of socialism can face that struggle and win it.

Radio Program Views Future of Farmers' Markets

PA0610031795 Havana Radio Rebelde Network in Spanish 1600 GMT 3 Oct 95

["Straight Talk" program with host Osvaldo Rodriguez and guest Luis Sexto]

[FBIS Translated Text] [Rodriguez] Luis, I believe that we must broach this topic again, specially after hearing some phone calls from our listeners, which indicate that there is a certain amount of disagreement with some of the views that you expressed during a recent Straight Talk program on farmers markets. I want to mention a call from our colleague (Else Buliz) — a very sharp reporter, who noticed that you said that farmers markets were a dilemma [problema coyuntural]. I was not aware of this remark at the time, however, if this is what you truly believe, I must disagree.

[Sexto] I have to say that I did not notice that I expressed such an idea in the program. I would like to point out that sometimes improvisation does not allow to pick the correct or adequate words. Nevertheless, I do not believe that farmers' markets are a dilemma problem. Perhaps I used those words, and because I did not make myself clear enough, many people understood that I considered farmers markets as a temporary measure to cope with a special situation, not intended to become permanent.

[Rodriguez] Forgive me for interrupting you, but in any case, I believe that we should welcome the words that you used, because they have created concern among listeners, and have prompted us to continue to discuss the issue in today's program, where we are going to stress our true feelings.

[Sexto] Everyone knows that what we will say is nothing new — we are not going to discover the Caribbean sea today. Our listeners might have to put up with some views already discussed in the past. However, it is worthy to reiterate views on farmers markets, because I think that not all Cubans have a thorough understanding of the markets, their reach, goals, and characteristics. Also, it is important to repeat some issues, because markets endure daily controversy.

In addition, we must continue to reflect on what is currently going on in Cuba. Our nation is undergoing economic reorganization. Some things are just beginning to take place, others have not been yet fully accomplished, and still others need to be done. The process calls for reflection, and continues to evolve seeking for the best and more adequate ways to participate in the new world, which is totally different from the world we knew in 1989.

[Rodriguez] What kind of role do you think that farmers markets will have in this so-called reorganization, in this acquisition of the world's economic methods, when we cannot have an influence on the world?

[Sexto] I see this problem from two different angles. In the first place, when we somewhat limit the meaning of the word dilemma, we can say that it is true that farmers markets appeared during a particular moment in Cuba. They appeared at a time when our agriculture, due to objective reasons such as the blockade and fall of the socialist bloc, began to decline. Thereby, it became necessary to find formulas to boost agricultural production. Creation of cooperatives on state lands was one of the formulas used in response to the weakening of our agriculture.

However, this does not mean that Basic Cooperative Production Units [UBPC] are only a temporary solution, intended to end. But it is clear that UBPC were created in response to a particular situation. Farmers markets developed with the same goal: to try to boost agricultural production. Producers were offered certain business freedom to sell the excess of their products — 20 percent, and profit incentives in the markets to increase production.

[Rodriguez] Then you believe that farmers markets are here to stay, and are more than a temporary situation. Yet, I would like to discuss this issue further. Being the way markets are today, do you really believe that they can become permanent?

[Sexto] We have to talk about this. Farmers markets are in a developing stage, at a moment when Cuba is facing an economic crisis, and trying find a way through it. Farmers markets, amid this particular situation, will show some results, and also create some impressions...

[Rodriguez, interrupting] It is happening.

[Sexto] Sometimes, these impressions will result in negative reactions. We have said in past programs that farmers markets are being much criticized. The other day we objected to this kind of attitude, because people continuously complain either about high prices, or the illegal underground world growing around the markets, whereas, I can hardly hear any praise for the markets.

[Rodriguez] However, and to add some more criticism, I believe that farmers markets today are some sort of mirage. People see a mirage when they believe that they can buy those supplies. In reality, the money and economic means of the vast majority of the people — myself included — do not allow to buy many of the farmers markets goods.

[Sexto] Farmers markets were not only created to boost production, but to offer another option to consumers. This optional offer is not the fundamental approach to put food on Cuban's tables. It is optional because not all Cuban agricultural products go to the markets, but only a small portion.

The other day we were discussing the amount of products sold during the first eight months since farmers markets' creation. I believe that sales did not surpass by much the 1.5 million quintales of products that I mentioned two or three months ago. Consumption per capita becomes minimal when you consider a potential market of 11 million people.

However, farmer markets offer solutions to daily problems. For instance, one of my sons was sick the day before yesterday, and needed to eat malanga. I went to the market and was able to find and buy it. I paid 6 pesos for each pound of malanga, but my son had what he needed. I would not have been able to find malanga, had it not been for the existence of farmers markets. Perhaps I might have had to go to Guira de Melena, Quibican, or Guires, to find a malanga producer. But Cuba was not planting much malanga, big malanga harvests were not among the Agriculture Ministry's goals.

[Rodriguez] From this standpoint, we can say that farmers markets offer a temporary solution.

[Sexto] Yes. They try to ease a particular momentary problem. We can see farmers markets from this standpoint. However, I also think that these markets are the markets of the future.

[Rodriguez] The only market.

[Sexto] Perhaps the only market in the future. I think — and I am not announcing an official statement, only giving my opinion — that sooner or later Cuba has to end egalitarian distribution, which creates a trap.

[Rodriguez] What is going to happen to low income sectors then?

[Sexto] Cuba must sooner or later subsidize people instead of products, so that everyone might receive the benefits.

[Rodriguez] How are the majority of the people going to survive when farmers markets are the only option?

[Sexto] I believe that the prices that we currently see in the markets, which come as a result of a weak economy, bleak agriculture, and excess of currency, will go down once that agricultural production increases, in two, four, or perhaps six years, when the crisis in Cuba is over.

[Rodriguez] We can then tell our listeners that Luis Sexto is asserting that farmers markets are the markets of the future.

[Sexto] Wait a minute. You are getting me into a huge compromise before our listeners. I am not Delphi's oracle, telling the objective true, and predicting the future.

[Rodriguez] It is what you believe though.

[Sexto] It is my opinion indeed. But I am discussing a very arguable topic. I believe that the markets were the response to a depressed economy in the beginning...

[Rodriguez, interrupting] They were created for that reason.

[Sexto] Yes. Farmers markets have solved problems because they boosted production, and gradually increased the supply of goods. Additionally — though many might differ — prices have gradually declined as supply increased, and the excess of currency has been reduced, to ease the national financial problem.

[Rodriguez] It is true.

[Sexto] In the future, Cuba will have to find a solution to the problem of egalitarian distribution. Not everyone puts the same amount of work or effort, or has the same level of intelligence. Thereby, distribution — or distribution of certain products — cannot be equal for all.

[Rodriguez] Perhaps there should be difference in salaries instead. People working harder should receive higher salaries.

[Sexto] People must live as their own efforts allow them to. They should be compensated proportionally to their efforts, intelligence, and struggle, throughout their lives.

[Rodriguez] It is a basic socialist principle.

[Sexto] I believe that prices will fall when production increases, and state enterprises and UBPC begin to sell significant amount of products in farmers markets. Then they can become the markets of the future, ruled by the laws of supply and demand, with steady supply keeping prices low.

[Rodriguez] I agree. I have seen that prices, particularly in Havana — the price of plantain for instance — are set by Youth Labor Army [EJT], because they have become the biggest plantain distributor in farmers markets.

[Sexto] It is interesting to point out that the EJT, a military organization, is addressing the issue smartly. They are not trying to reduce prices with a decree or an administrative measure, but in an economic fashion: increasing supply.

[Rodriguez] Our armed forces are showing that there is an advanced economic ideology within their ranks.

[Sexto] We need to support them, and strongly praise the EJT for fully participating in the agricultural sector, not only as simple sugarcane cutters, but as a resourceful organization. The results have been very positive, and they need to continue, with our full support.

Going back to the farmers markets' issue: Are they going to be the markets of the future? It is possible. It is also possible that rations might end some day, and that poor people might be subsidized as citizens of low income. Then, products' prices in farmers markets will be the factor to regulate distribution.

I went to buy two pounds of malanga the other day, but I could not buy all the malanga that the man was offering. Currently, I cannot buy everything that I want in the markets, only what I need. It will be different, and certainly better in the future. This is my opinion.

[Rodriguez] Thank you for clarifying some points for our listeners, and for stressing — even though you say it is only an opinion — that farmers markets are the markets of the future.

Rate of Collection of Excess Currency Slows Down

PA0610042595 Havana Radio Rebelde Network in Spanish 1600 GMT 27 Sep 95

["Straight Talk" program with host Osvaldo Rodriguez and guest Fernando Davalos]

[FBIS Translated Text] The slow rate at which excess circulation in the hands of the Cuban population is being collected — that is the issue Fernando Davalos has brought us today. Davalos, when we speak of a slow rate, that means that, before, the rate at which excess currency was being collected was faster. At first, excess currency — or as it is called excess liquidity — in the hands of the population was being reduced at a very fast pace; later it slowed down, just as the specialists projected. We knew this was going to happen. I would like you to explain the causes behind this slowing down process, how much does this effect us, and the solutions to this situation. Well, I have practically given you the guideline to your own program.

[Davalos] Between June 1994 and August 1995, 2.7 billion pesos of excess liquidity had been taken out of circulation.

[Rodriguez] There were 11 billion pesos — almost 12 billion pesos — in circulation.

[Davalos] Currently, there is 9.1 billion pesos of excess liquidity still in the hands of the population. That represents a reduction of 24 percent, since the corrective economic measures were implemented. We must point out that everyone supports these measures. These measures are harsh, but everyone supports them because we know how significant they are to our economy.

[Rodriguez] With regard to the amount of money still in the hands of the population, what percentage is actually in circulation? I mean, how much is out on the streets?

[Davalos] Currently, the population still has 3.289 billion pesos. That is...

[Rodriguez, interrupting] So, 3.289 billion pesos!

[Davalos] Yes, that is 31 percent of the total of excess liquidity still in the hands of the population. The other 69 percent is in savings accounts.

[Rodriguez] This explains why a majority of Cubans — especially those of us who receive salaries — say that the excess circulation is not in our pockets. Of course...

[Davalos, interrupting] That's right, there are percentages and groups of people...

[Rodriguez, interrupting] These statistics clearly point this out. Those people who do not have huge amounts of money in savings accounts do not have huge amounts of money in their pockets either. Therefore, can we say that the excess circulation is concentrated?

[Davalos] Well, I would not like to say... [pauses] There are certain indications that seem to point out that there is a structure where very few have quite a lot. We should not talk about this until we have more information. I think that it would be interesting to investigate how they obtained a large part of the excess circulation. The population knows that there are some who have higher incomes and therefore, have more money. This is not only because they earn more money working, but because the have extra incomes.

[Rodriguez] Are you telling our listeners that you will be broaching this issue here, in the future?

[Davalos] I am going to investigate the issue. It is necessary that we clarify that situation. In general, there is an excess of money circulating, everyone knows this is true. Recently, there was a fair in La Linea street. There were many, many people there. It was not just a few small groups of people, there was a huge amount of people who were shopping there. Going back to the issue of the rate at which the excess circulation is being collected, as you said earlier the rate has dropped. During seven months in 1994 the rate of collection was 278 million pesos per month. Now, in 1995, the rate of collection has dropped to almost one third of that. During the first eight months of this year — up to early September — the rate of collection was down to only 104 million pesos. Look at that, from 278 to 104 million pesos! What are the causes behind this, what problems does this pose to Cuba, and why should we pay a lot of attention to this situation? First, because correcting the economy's woes — it's just like an illness — is fundamental. No one wants the illness' cure to take a long time. Cuba needs to have a healthy economy.

[Rodriguez] I think we are all well aware of the illness' existence because we all suffer due to it. All of us know that the illness is being cured. When you look at market prices — let's say the private market, where there are different prices — you see that prices have been dropping. This indicates that the illness is being cured. Even the dollar's exchange rate value in the black market has dropped. Recently, in August and early September, when the dollar dropped and later regained value, it did not reach last year's rate of exchange.

[Davalos] The episode regarding the dollar was only a speculative operation, this is evident. However, the dollar's inability to reach its previous high exchange rate — even though its still raising — reflects the Cuban peso's strength.

[Rodriguez] Davalos, I think we should refer to the slow rate of collection. Last year, we were at 278 million pesos, more or less...

[Davalos, interrupting] That is according to my own statistics.

[Rodriguez] According to your personal statistics?

[Davalos] No, no, the numbers were not supplied by me. All I have done is some dividing!

[Rodriguez] Right, you have only done some divisions. This year the rate is down to only a third of that. I would like you to explain why this has happened. I think that it would be interesting to know the reasons.

[Davalos] I would like to point out that as we improve our economy's health we are also going to reinforce labor, social, and technical discipline in Cuba. People will value the peso more, there will be less work absenteeism, and people will have more discipline. This is something that is becoming evident already. There is a positive reaction among the people with regard to the our economy's improvement.

Furthermore, if the rate at which excess circulation is being collected drops — something happening right now — another pressing problem's solution will take longer; the budget deficit. State enterprises do not collect money for the state's budget at the rate needed and the state's subsidy to economic activities is delayed. That is another problem that needs to be solved in Cuba. This does not mean we are at a zero level, quite the contrary, we are making progress. There are really good news.

However, the collection rate has dropped. The peso's health is not improving as fast as we would like. What are the causes behind this situation? First, the farmers markets were created. These are free markets with many participants. Private farmers, agricultural cooperatives, basic cooperative production units, plot farmers, and state farms participate in the farmers markets. The industrial and crafts markets have also been created. Private craftsmen and producers, as well as the state also participate in this market. There is another huge market where private producers, — the self- employed — also participate. These are people who have small family businesses such as a restaurant [paladar] or something of that nature. This market is very large. Just compare, the farmers markets' estimated gross in trade this year is expected to be approximately 1.7 billion pesos and...

[Rodriguez, interrupting] Yes, but that is based on prices...

[Davalos, interrupting] Yes, based on prices or whatever other reason. However...

[Rodriguez, interrupting] I agree because we are analyzing money. The farmers markets are somewhat of a mirage because when you analyze the overall amount of merchandise that is sold you see that it is only a small part of what is consumed.

[Davalos] Yes, in overall quantity of merchandise that is correct. However, we are talking about money in circulation, therefore, we can not forget that the amount is very large. I think that it is over 1.5 billion pesos. There is less movement in the industrial and crafts markets, maybe only 10 percent of that amount, which would be between 150 and 170 million pesos. This is an estimate I made. The state participates in all that movement, but its level of participation has dropped. What I mean is that there has been a redistribution of the income among the population.

[Rodriguez] In reference to the farmers markets, the media — our program as well — has denounced that there are times when a producer from a basic cooperative production unit or from a state farm is met by a middleman who buys all of the farmers' products right at the market's door...

[Davalos, interrupting] Yes, yes that does happen.

[Rodriguez] That is the way they maintain prices at the same level in the market.

[Davalos] That is the easy way of doing things. That is how many problems, which effect the population, are created. In that way the middleman keeps the prices high. He keeps them right up there! He is lodged between the people who produce and those who buy. That is an economic problem and I feel it should only be seen in that manner.

[Rodriguez] We are talking about the slow rate at which the excess circulation in the hands of the Cuban people is being collected.

[Davalos] I would not say slow rate, I would say that the rate is not as fast as it was before. Money is still being collected at a rate of 100 million pesos a month, however it has slowed down compared to last year. As I was saying, among the causes behind the reduction in the rate of collection is that the state's participation in the farmers markets has dropped. The state collects less money and the circulation of money is now going from population to population. Therefore, that money does not end up in the state's coffers. The money is being redistributed among the population and it does not go to the state bank nor to state enterprises. We see that this is happening. The state's aggressiveness ... [pauses] The amount of production that the state farms and producers allocate to be sold in the farmers and industrial and crafts markets has decreased.

[Rodriguez] Can you tell us just how important it is that the money go directly to the bank instead of this redistribution process that you mention?

[Davalos] As we said before, our budget suffers, the peso becomes weak, and it will take longer to solve our economic problems. When I talk about solving our economic problems, I mean having discipline. People give more importance to money when there is less of it around!

[Rodriguez] Winding up today's program, I would like you to give your idea on how to resolve these problems and accelerate the collection process.

[Davalos] There is no other solution but to increase the state's participation. However, that is something that cannot take place immediately. We can not press a button and have state products overflowing the markets. I think we must sit down and ponder the factors that are causing the state's production to drop. I think economic incentives are needed to resolve problems. Administrative orders or calls made to our patriotism are important because we are a revolutionary people and we need to know that what we are doing is appreciated, but it is not enough.

However, I think the situation calls for an economic nuance to be given to it. We have the past experience of the youth festival. That was when the state enterprises would produce an abundance of what was called collateral production. They produced notebooks, almanacs, calendars, handbags, and hundreds of other similar things. These items were produced by using leftovers and byproducts. That process was based on political and psychological motivation. Cuban markets overflowed with these items. You are very young and perhaps do not remember this situation.

[Rodriguez] Davalos, I was already a correspondent back then. [chuckles]

[Davalos] Oh, I am sorry. Back then Havana City and Cuba was full of...

[Rodriguez, interrupting] Thanks a lot for thinking I am so young!

[Davalos] The markets were full all around the country, however, that ended. Now, we must find the same patriotic and political motivation, but we must also implement economic measures. We must bind everyone's production with their incomes. In that manner, people will see the effects of their efficiency in their own pockets. There is no other way of doing it. We cannot dictate things such as prohibiting private farmers from coming to the farmers markets, just like that!

[Rodriguez] I like your idea. I think that more and more we must use economic solutions.

[Davalos] That's the game plan!

[Rodriguez] Many thanks to Davalos for talking about this very important issue.

EU Ministers Agree To Begin Talks on Cooperation Pact

PA0510163695 Havana Radio Havana Cuba in Spanish 1300 GMT 3 Oct 95

[From the "Morning Information Review" newscast]

[FBIS Translated Text] The EU foreign ministers meeting in Luxembourg has agreed to begin talks with Cuba for the subsequent signing of an economic and trade cooperation agreement with the island.

The European ministers have decided that a delegation formed by representatives from Spain, France, and Italy will soon begin a dialogue with Cuban authorities to reach an agreement between Cuba and the European economic bloc. Spanish Foreign Minister Javier Solana, current EU president, said most of the European countries have cooperation agreements with the island, while the community does not.

In Havana, Foreign Ministry spokesman Rafael Dausa has told the British news agency REUTER that the signing of a framework protocol with the EU would be very positive. He has said, however, that Cuba would not accept any preconditions to sign it. Although Cuba is the only Latin American country that does not have a formal agreement with the EU, it receives humanitarian aid from the group, and many of the group's members maintain an increasing trade with the island.

An EU delegation, headed by Jose Manuel Anacoreta, director of Latin American affairs, has arrived in Havana to participate in the third international meeting of European studies beginning on 3 October. The meeting will be attended by diplomats, academicians, and politicians from 12 countries of Europe and America. Sponsored by the University of Havana, the European Commission, and the Cuban Center for European Studies, the meeting will analyze current issues on that continent, and its links with Latin America. The third international European Studies meeting will conclude in the Cuban capital on 6 October.

'High-Level' Russian Delegation To Arrive 10 Oct

PA0610030995 Havana PRENSA LATINA in Spanish 1843 GMT 5 Oct 95

[FBIS Translated Text] Moscow, 5 Oct (PL) — First Deputy Prime Minister Oleg Soskovets today confirmed his upcoming visit to Cuba as head of a high-level government delegation to strengthen economic relations of mutual benefit.

Soskovets' official visit to Cuba is scheduled for 10 to 16 October. He will have an intense agenda, which will include talks with Cuban authorities and the signing of important documents, his spokesman Yuri Mijailov said to PRENSA LATINA.

Soskovets and Cuban Ambassador in Moscow Carlos Palmarola Cordero reviewed the topics to be discussed and the preliminary agenda.

According to Mijailov, arrangements for the visit are being made at the highest level and the objective is to guarantee successful negotiations at different levels of bilateral cooperation.

Envoy on U.S. Visa for Castro, Economic Situation

PA0510163595 Mexico City NOTIMEX in Spanish 0136 GMT 5 Oct 95

[FBIS Translated Text] Mexico City, 4 Oct (NOTIMEX) — Cuban Ambassador to Mexico Abelardo Curbelo said today it is "normal" for the U.S. Government to grant President Fidel Castro a visa so he can participate in the UN General Assembly [UNGA] in New York.

"The granting of a U.S. visa for Cuban President Fidel Castro to participate in the UNGA is not extraordinary, because the country where the headquarters is located is obligated to permit the entry of all delegations," the diplomat said.

Curbelo said his government is preparing for the Cuban president to attend the UN 50th anniversary festivities, which began on 25 September and will conclude on 20 October.

The ambassador said the U.S. visa "represents only a legal and obligatory procedure to enter a country, so it should not be viewed as a gesture of goodwill by the U.S. Government, nor as an action in favor or against someone."

The diplomat said, more than 30 years since the establishment of the U.S. blockade against Cuba, that his country "is like an electron, free in this world," following the disappearance of the socialist countries, so it has to make great efforts to move forward.

Regarding the island's economic situation, the Cuban representative said his country's gross national product (GNP) experienced a 34 percent drop, while the people's purchasing power has been noticeably reduced. This situation began to change in 1994 when Cuba grew by 0.7 percent. A 2 percent increase is expected for the first half of this year, indicating that the Cuban economic project is producing concrete results, he added.

Regarding the possibility that the United States will lift the blockade, Curbelo said his country "does not see any important gesture" by the United States, although he did admit that there "are interesting signals the Cuban Government is following very closely."

"In real and practical terms, there has been no gesture from the United States to permit one to think about a possible decrease of tensions with Cuba," he said.

Roundup of Politburo Member Activities

PA0610020195

[FBIS Editorial Report] The following is a compilation of reports on the activities of Central Committee Politburo members of the Communist Party of Cuba monitored through 5 October.

JORGE LEZCANO has presided over a Cuban delegation of lawmakers who returned to Cuba after visiting India, Korea, Vietnam, and China. He reported that the objectives of the visit were fulfilled. Lezcano highlighted that experiences were exchanged with their counterparts and the role of parliaments in transformations were analyzed. (Havana Radio Rebelde Network in Spanish 1155 GMT 3 Oct 95)

JOSE RAMON MACHADO VENTURA has observed the intense work done by Matanzas residents in preparations for the upcoming sugarcane harvest. After touring several provincial sugar mills, he recognized the unity work of administrations together with the Communist Party of Cuba and the labor union. Machado Ventura predicted a prosperous beginning of the upcoming harvest. (Havana Radio Rebelde Network in Spanish 1155 GMT 3 Oct 95)

CARLOS LAGE DAVILA has stressed the need to produce an additional 300,000 tons of cement next year during his visit to the Cienfuegos Cement Factory. During his visit, he expressed interest in the factory conditions for its exploitation at the maximum capacity. The factory manager briefed Lage on the characteristics of the plant and the works developed. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 5 Oct 95)

Haiti

Militants Hold News Conference, Criticize U.S. Military

PA0510224395 Port-au-Prince Signal FM Radio in French 1030 GMT 4 Oct 95

[From the "Waking Up Newscast"]

[FBIS Translated Text] The Moise brothers who occupied the Canadian Embassy in Port-au-Prince for several months after they had been denied political asylum in November 1992 and who are reputed to have links with Libyan members of the United Militants Front [FMR] have broken their silence after six months of imprisonment. The Moise brothers including Eddy and Patrick denounced the tortures to which they were subjected during their detention in the Petion-Ville jail. The FMR militants point an accusing finger at the U.S. military — whom they ask to give them back their documents, certain documents — and the abuses of which they were victims during their detention.

The Moise brothers, who are accused of complicity in the murder of attorney Mireille Durocher Bertin, call on the Haitian head of state, President Jean-Bertrand Aristide, to regain his self-control. The FMR militants [as heard] reject the accusations brought against them, putting forward at the microphone of Signal [FM Radio] that at the time of the murder they were already suffering in jail.

[Begin unidentified Moise brother recording, in Creole] Until now, I declare that day I came from Malpasse where I went to see some people. On my way, I went to see some friends. They gave me some two varieties of breadfruit and mangoes, which were in the car. I demand that the Americans give me back these fruits that were in the car. We also demand that the Americans give us back a 150-liter gas tank. The Anti-Gang Service left the documents for me in it until now. We are demanding that the Americans give back this car, the registration number of which is B-4232, to the Anti-Gang Service so we can go get it and give it back to the government. [passage indistinct] They say Mrs. Mireille Durocher Bertin died on 28 [March], whereas they kidnapped me and put me in jail as early as 19 [March].

So, if there is somebody [words indistinct] out to commit this action, this person must appear before the press. The Americans themselves who were watching over us, who said that we escaped from the prison, from the penitentiary, must prove that we had escaped. The FBI must prove that.

We have seen a newspaper [as heard] published yesterday — HAITI-OBSERVATEUR — saying that they must have Scotland Yard come. Personally, I can help Scotland Yard carry out an investigation, because I am a criminologist, I am a qualified investigator and I got my diploma in the United States. [end recording]

The Moise brothers, who were escorted by interim policemen while they were giving this news conference, said that the Haitian head of state is short of sincerity toward the Haitian popular masses who worked tooth and nail for his return to power, when he asks them to swallow the privatization pill. In the opinion of the Moise brothers, if President Aristide leaves power on 7 February, it will look as if he gave his support to the coup d'etat of September 1991.

Denounce U.S. 'Republicans'

PA0510224595 Port-au-Prince Radio Metropole in French 1045 GMT 4 Oct 95

[From the "Waking Up Newscast"]

[FBIS Translated Text] The Moise brothers denounced, yesterday, the hand of the Republicans in the assassination of lawyer Mireille Durocher Bertin last March in Port-au-Prince.

[Begin unidentified Moise brother recording, in Creole] Bill Clinton sent a group of Republicans to effect democracy in Haiti. All the U.S. Army soldiers you see here are Republicans. Ask them questions in the streets. Ask them which they prefer: the Democratic or the Republican Party? Ask them who they prefer, between Bill Clinton and George Bush? And then, you will see that you will understand what is going on in the country.

The men arrived on 19 [March], a few days before the arrival of Bill Clinton in Haiti. They did not agree that Clinton enter Haiti. This means they do not receive orders from Bill Clinton. They did not want him to enter Haiti. They wanted to create a problem in the country. They came up with the problem that... [pauses] the Army of those people were going to kill Mrs. Durocher Bertin. They chose someone. Do you see what I am saying? [passage indistinct] in extreme right, as for us, we are in the left. They chose to create a problem. The problem did not happen, they nevertheless killed her so as to prevent him from entering. So, I see that the maneuvers the men made are exactly maneuvers... [pauses] and the offers they made as well were aimed at making me say yes. Then, what would happen? They would land Aristide in a nice pickle, they would land Minister Beaubrun in a nice pickle, and they would land Smarck Michel, as well, in a nice pickle. That was their maneuver so they could control the state apparatus. [end recording]

This was the Moise brothers who were speaking yesterday during a news conference. It should be reminded that they had been detained for several months in the Petion-Ville barracks within the scope of the inquiry about the assassination of Attorney Mireille Durocher Bertin. They were released provisionally last month.

Michel: Government Not Responsible for Mayard Murder

PA0610010695 Port-au-Prince Signal FM Radio in French 1030 GMT 5 Oct 95

[From the "Waking Up Newscast"]

[FBIS Translated Excerpt] While giving his opinion on the assassination of former General Henri Max Mayard, Prime Minister Smarck Michel explains that this crime falls within the scope of a series of assassinations being perpetrated in Haiti since the beginning of the year. Michel did not want to link this crime to politics.

[Begin recording, in Creole] [Michel] We deplore the death of Gen. Mayard but it falls within the scope of dishonest actions being committed in the country. I cannot... [pauses] I do not have any details on that because... [pauses] An inquiry has begun about that. The police is doing its job, as is the justice department. But I often answer the first question you asked. While I was in the United States last month, in the same way that you ask me the question: you said it is said that it is a political crime. Yes, it is true. I always correct them [referring to journalists]. I always tell them that they are not political crimes because nothing proves that they are political crimes. People who were involved in politics have been killed, but the person could just as well be from another sector and be killed. So, what is going on is acts of terrorism, settlings of scores, and so on. The government is not responsible. Until now we have not yet had the results of the investigations on these matters, which are ongoing, but they will continue, and the inquiry into the death of Gen. Mayard will begin and, as soon as there are results, the press will be informed.

[Unidentified reporter] Do you not have any fear about the relations between Haiti and the United States?

[Michel] No, because frankly the people know that the government is not responsible for these acts of banditry that are happening in the country. [end recording] [passage omitted]

Aristide Confirms Holding of Presidential Elections

PA0610013695 Port-au-Prince Signal FM Radio in French 1030 GMT 5 Oct 95

[From the "Waking Up Newscast"; passages within slantlines in Creole]

[FBIS Translated Text] The president of the Republic, His Excellency Jean-Bertrand Aristide, speaks out. We are moving toward presidential elections, he reaffirmed yesterday. The Haitian president implicitly confirmed yesterday in Port-au-Prince his intention to organize — as scheduled — presidential elections, nevertheless without setting their date. We are resolutely moving toward presidential elections, he said in front of Prime Minister Smarck Michel and his government, the newly elected parliamentarians, the Provisional Electoral Council [CEP], and the Court of Appeals that gathered at the National Palace.

However, Aristide's partisans demand a three-year extension of his mandate corresponding to his three years of forced exile, from 1991 to 1994, following the bloody coup d'etat that ousted him from power on 30 September 1991. In principle, presidential elections are due to be held in the country by the end of the year to elect a replacement to President Aristide, whose mandate will expire on 7 February 1996. During this newscast we will have the explanations of the president of the CEP who reaffirmed that the elections will, normally, take place at the end of this year.

We are resolutely moving toward presidential elections. This is what President Aristide asserted. Dialogue must be a beacon guiding us, added the president, who congratulated the CEP for having carried the latest elections through to a successful conclusion despite the difficulties.

[Begin Aristide recording] You members of the executive branch of the government; you members of the judicial branch of the government; you members of the legislative branch of the government: Article 88 eloquently gives us information about the legislative branch of the government. Article 173 and the next ones eloquently give us information about the judicial branch of the government. Without a continuous and fruitful dialogue, the articles of the constitution can be eloquent but they would be short of essence. May we (?manage) together to cultivate this dialogue among us, so that we can move resolutely with the CEP toward presidential elections, toward the Haiti we want. If the three branches of government unite around the law under the law, we can build this state of law with the certainty that the fruits will be numerous and juicy. /The more we engage in dialogue in respect and difference, the more we will have the land reform lead us to greater production. The people have asked for justice; the more there is this dialogue between us, the more the judicial apparatus will find force and encouragement to move faster/. [end recording]

I am pointing out that despite the incessant demands expressed by some of his partisans, the Haitian head of state publicly repeated several times that he would withdraw at the end of his mandate.

Prime Minister: Elections Depend on Parliament

PA0610013995 Port-au-Prince Signal FM Radio in French 1030 GMT 5 Oct 95

[From the "Waking Up Newscast"; passages within slantlines in Creole]

[FBIS Translated Text] For his part, Haitian Prime Minister Smarck Michel, who was speaking apart from this meeting between the members of the executive, legislative, and judicial branches of the government and the Provisional Electoral Council [CEP], asserted that mostly the CEP was concerned by this meeting. The members of the electoral institution were invited to explain the great moments of the process that ended up with the second round of the elections on past 17 September, stated Smarck Michel, for whom the organization of the upcoming presidential elections by the current CEP depends largely on the will of the next parliament.

[Begin recording] [Michel] /There are more than 70 deputies who have been confirmed. The senators have been confirmed. Thus, the president wanted to hold a meeting between the state powers — that is, the executive, parliamentary, legislative, and judicial branches of the government so we could welcome this new legislative branch that has just been formed, following these elections. It was an initial contact meeting, and it was a nice gesture by the president to say welcome to the legislative branch. Given that the CEP held the elections not long ago, it was invited to attend this meeting. As regards whether the presidential elections will be held by this CEP or not, I believe we are going to have a parliament. They will decide on that soon./

[United reporter] /Do you... [pauses] There are people who say the presidential elections will be held in January, that they have been postponed until the month of January. Have you heard that also?/

[Michel] /I have not yet heard anything on that. I have blocked up my two ears, because elections are a matter for the concern of the Electoral Council. So, the prime minister does not have to tackle the polling date or how the elections will be held./ [end recording]

CEP President Sajous on Presidential Elections

PA0610014595 Port-au-Prince Signal FM Radio in French 1030 GMT 5 Oct 95

[From the "Waking Up Newscast"; passages within slantlines in Creole]

[FBIS Translated Excerpt] Presidential elections are scheduled for the end of this year. The Provisional Electoral Council [CEP] confirmed that. The president of the electoral authority, Dr. Pierre Michel Sajous, explains this position according to the space [of time] that separates us from these elections.

According to Pierre Michel Sajous, the setting up of a new electoral body might delay the date of the holding of the Haitian presidential elections. Pierre Michel Sajous does not believe in the formation of a new CEP to hold these elections. [passage omitted]

Monterrey Investors Reject Helms-Burton Bill on Cuba

PA0510164195 Mexico City PROCESO in Spanish 2 Oct 95 p 52

[Report by Antonio Jaquez]

[FBIS Translated Text] Monterrey, Nuevo Leon — Mauricio Fernandez Garza and Javier Garza Calderon, the main Monterrey investors in Cuba, are not worried there are plans in the United States to intensify the embargo on the island, because the businesses they have there do not fall under the provisions stipulated in the Helms-Burton bill.

Fernandez Garza, a pioneer in the wave of foreign businessmen in Cuba, has categorically rejected the initiative. In October 1992, he announced an initial investment of $50 million to produce and market textiles.

"It is an act of madness by the gringos. They suffer from arrogance. They are bitter deep down, because they did not defeat Cuba. Moreover, they are not aware of what has happened to their assets confiscated after the victory of the revolution: They are scrap, useless."

He has told the local media: "The person who thinks those assets have any value is completely crazy. It is absurd to believe there are investors who want to obtain 50-year-old technology."

In addition to investing in Cuba, National Action Party [PAN] Senator Fernandez Garza has convinced others to do so. He has also contributed to the dialogue between PAN leaders and Cuban leaders, including Fidel Castro, and has said "Cuba is more democratic than Mexico despite everything."

Hector Cuellar, spokesman of the Domos group, headed by Garza Calderon, has said the firm's legal advisers are studying the possible effects of the Helms-Burton bill. He has said "it is clear at this time that the initiative does not include the field of telecommunications, in which we are involved. The Torricelli law did not include it either."

He has said the initiative specifically refers to investors who hold property confiscated from U.S. citizens after the revolution, "which is not Domos' case. We have never had such property. Domos' digital telephone switches do not require something left standing 30 years ago. It is absurd to believe such a thing." Therefore, "we have no reason to worry. In addition, the Helms-Burton bill still has a long way to go before it becomes a law, and there are reports this law will be vetoed."

He has said: All of Domos' negotiations with the Cuban Government, which were formalized in June 1994 with the purchase of 49 percent of the Cuban telephone system, "have been conducted by strictly adhering to that country's laws. In addition, we must remember, even though it is well-known, that the Mexican Government has diplomatic and commercial relations with Cuba and that they are not subject to political pressures."

Cuellar has said Domos' business in Cuba is going "at full speed." Since communications with the United States were reestablished in October 1994, the demand for long distance calls took off, to such an extent that lines were saturated. There are about 20,000 calls a day, with an average duration of 12 minutes. "The people are fascinated with the direct service, because establishing contact with the United States from Cuba was a headache in the past."

Government To Replace Treasury Bonds With New Instrument

PA0510213995 Mexico City NOTIMEX in Spanish 1908 GMT 5 Oct 95

[FBIS Translated Text] Mexico City, 5 Oct (NOTIMEX) — Finance Secretary Guillermo Ortiz today announced that the Mexican Government will offer a new exchange cover instrument to replace the Treasury Bonds [Tesobonos]. "The government will not issue Tesobonos again; instead, it will offer a new exchange cover instrument with better characteristics," Ortiz said. In a news conference, he admitted that last year's excessive issuance of Tesobonos cast "a negative image" of the instruments in the markets and that it was decided for this reason to cancel the existing Tesobonos and replace them with a new instrument.

Assessing the economic adjustment program promoted by President Ernesto Zedillo, Ortiz said the growth expectation for 1996 will be higher than in 1995. He said the volatility of the exchange rate observed in the past two weeks is a "natural occurrence," inherent to a free floating system.

He also said the peso's loss of value in relation to the U.S. dollar has been less than that of the U.S. dollar vis-a-vis other currencies such as the German mark and the Japanese yen. "It should not surprise us that the peso's exchange rate in relation to the dollar has become volatile, because these fluctuations occur even in the world's strongest markets with a floating system," he said.

Ortiz said he trusts "we will return to a normal situation as investors see inflation continue to drop and doubts about the possibilities of the country's growth and recovery are dispelled." He added that although the peso's parity in relation to the dollar is undervalued at present, the parity is very competitive but that under a free floating system it is very difficult to make predictions on what level will be reached at the end of the year.

He said the country's present reserves stand at $14.7 billion, a sufficient amount to meet contingencies and payments scheduled to be made during the rest of the year.

Mexico Places 1 Billion German Marks on Markets

PA0510174495 Mexico City NOTIMEX in Spanish 1532 GMT 5 Oct 95

[FBIS Translated Text] Mexico City, 5 Oct (NOTIMEX) — Finance Secretary Guillermo Ortiz announced that Mexico today placed 1 billion German marks, approximately $700 million, on the international markets so as to substitute short-term with long term debt.

In a news conference, the official said the $700 million obtained from this operation, which will be at a five-year term, will be used to prepay short-term swaps Mexico has with the U.S. Federal Reserve.

The rate paid for the present placement will be 407 points above the five-year German bonds known as Buns, while in swaps it will be 393 points above the five-year Treasury Bonds.

Ortiz added that so far this year, the placement of bonds on the international market by the Mexican Government amounts to $2.8 billion. The first placement by Mexico this year was in the U.S. market and at a two-year term.

Regarding the foreign public debt, the secretary said the total, including the Treasury Bonds of the Federation (Tesobonos), dropped from $106.1 billion in January to $93.8 billion in June.

It is hoped this debt will be reduced to $87.4 billion in December, the official said when he presented a report on the country's financial situation and explained the operations to substitute short-term with long-term debt.

Ortiz said "the total amount of the debt is not increasing. We are contributing to improve the profile of the public debt," and the schedule of amortizations will permit us to advance in the refinancing of the debt in 1996, given that there is an easy payment profile.

The official told the media the Exchange Commission, formed by the Finance Secretariat and the Bank of Mexico, unanimously agreed today to maintain the system of a floating exchange rate for the peso against the dollar.

"Given the current circumstances, it is advisable to maintain the free floating exchange rate system" existing in the country. At the same time, greater assurance will be given to this sector by reinforcing the futures market, the secretary said.

According to the expert, the structural conditions of the Mexican market continue to be solid, and the economic recovery that is expected in the coming months "will dissipate certain doubts held by investors."

In the news conference held at the National Palace auditorium, Ortiz reiterated that the monetary and fiscal policies President Ernesto Zedillo is promoting will be the anchor to lower inflation.

Ortiz Martinez said the current account balance will indicate a deficit of only between 1 and 2 percent of the gross national product (GNP) in 1996, in view that there will be a surplus in the balance of payments. At the same time, it is hoped that the GNP will register a 3.5 percent growth next year and that the government budget will be balanced.

Audit Office Detects Irregularities at Pemex

PA0510171595 Mexico City EL FINANCIERO in Spanish 3 Oct 95 p 28

[Report by Miryam Hazan]

[FBIS Translated Text] The irregularities the Senior Finance Audit Office [Contaduria Mayor de Hacienda] of the Chamber of Deputies has detected at Mexican Petroleum [Pemex] constitute a small sample of anomalies, frauds, and varied practices of corruption existing at the parastate company.

"The results the Overseeing Commission has submitted reflect only the daily corruption existing at the company," former Pemex international official Jose Luis Manzo Yepes has insisted.

Irregularities constitute a daily affair in several areas: unrecorded crude sales exported daily, irregularities in supervising works, badly executed works, and wrongful quantification of the elements used to carry out works.

In fact, the anomalies in the Mexican oil industry have created many fortunes. For instance, during the time oil was booming, many fortunes were made by ebbing Pemex funds. Even though the company has not been embezzled in the approximately two decades of austerity we have had, as was the case in the 1970's, shady businesses have not stopped.

"Regarding crude sales, there have always been irregularities in the number of barrels shipped. If we sell 2.5 million barrels a day, approximately 2 or 3 percent more, 50,000 to 70,000 barrels a day, is shipped, which represents a daily average of $250,000 unaccounted for," Heberto Castillo, PRD [Party of the Democratic revolution] senator, has put as an example.

The noted irregularities notwithstanding, there is opposition to make them the pretext for the government to privatize the parastate firm. "The corruption issue is not worth an excuse to privatize Pemex. What must be done is to call those who have bled the company to give an account and to encourage a supervision that will not be subjected to any type of bias," Manzo has said. He has reported this industry's irregularities to many authorities.

In his opinion, privatizing Pemex or certain areas of it would constitute only a manner of dodging the responsibilities many officials and contractors have in the lack of efficiency in and the inadequate maintenance of the company.

In this regard, Deputy Ifigenia Martinez has affirmed: "One of the most worrisome situations at Pemex is the fact that its director, (Adrian Lajous), is an individual completely alien to the energy industry and an assiduous promoter of privatizations." Martinez, who is also an economist, believes that the energy sector is strategic and that, therefore, it must not be sold. "What has to be done is to better maintain the company and supervise not only the moneys flowing into Pemex and what is done with them but also where these moneys end up."

Regarding this issue, Castillo has said Pemex is a company that pays slightly more than 60 percent of taxes to the state, thus becoming its largest source of revenues. Thus, if Pemex is sold, the state will stop collecting a large amount of revenues that are significant for the country, because what private company is willing to pay such a high amount of taxes?

Irregularities and Supervision

According to Castillo, following is a list of the most common irregularities committed at the domestic oil industry: the amount of hydrocarbons exported daily are not recorded; there are irregularities in supervising works; these are badly executed; and there is a deficient quantification of the elements used in these works.

"When certain works are expanded, they are never verified, nor can they be verified. There have been cases in which certain officials have plotted with their friends to conduct businesses," he has said.

One such plot pertains to the construction of gasoline stations. A request to open a gasoline station is made; a ditch is then built. A correction is requested, and a payment is made to close the ditch, which is then reopened to extract the pipes. Contractors do nothing in all this process. "In addition, contracts of sale and purchase of products failing to favor Pemex are signed," Manzo added.

In the case of Pemex International, a few years ago, a contract was signed with the company Lyondell to turn propylene into polypropylene. The contract was highly disadvantageous to Pemex: "We were losing $200 for each ton, something which led to a loss of more than $200 million in three years," Manzo has said.

To these cases, we add those registered in the Report on the Results of the Public Accounts Audit which the Chamber of Deputies Overseeing Commission has drafted.

The documents report excess payments to suppliers and anomalies in financial and accounting statements, in addition to an inadequate administration and coordination among the many Pemex divisions. For instance, in the case of Pemex Refinery, there was a record of an excess payment of 103,000 new pesos made to a contractor due to an incorrect quantification on the work's volumes. And there are many cases such as this one.

Furthermore, the following cases were detected:

"From the acquisition operations revision made by the Villahermosa Regional Superintendency, it was determined there was a difference between the reports the Internal Audit Office drafts and the Superintendency's E-54 form. This difference pertains to the materials purchase records of 142 operations amounting to 24.1 million new pesos.

"A difference of more than 55 million new pesos was determined in the executed budget reported by Pemex Refinery's Budget Unit and the Budget Department. Pemex did not explain this difference."

There is no information that the Comptroller General's Office has done anything about all these irregularities committed in 1993. Only a small number of low-ranking officials were admonished.

"The Secretariat of the Comptrollership is not doing its job. It has engaged only in bureaucracy. When its investigations point to a high-ranking official, it remains silent," Castillo has said.

According to reports from the Secretariat of the Comptrollership itself, from December 1994-May 1995, a total of 116 sanctions were made in the energy sector, including Pemex, compared to 3,520 sanctions made in the public sector. This information is not made public, however, just like the names of those who were admonished, and the reasons why are not made public either.

This is why Manzo and Castillo have insisted we need to create a independent overseeing unit that would force those officials who work for Pemex to keep clear records.

Manzo has recommended that "before thinking about privatizing Pemex, we have to call on officials to give accounts so as to ensure they will not wash their hands and to recover ill-gotten fortunes."

From its viewpoint, Pemex could be a profitable company if large investments "that do not have to involve exorbitant amounts" are encouraged and if a serious supervision is made to prevent the company from continuing to be bled.

EZLN Command, Peace Commission Reach 6-Point Pact

PA0510163495 Mexico City EL FINANCIERO in Spanish 2 Oct 95 p 83

[Report by Amalia Avendano and Gabriela Coutino]

[FBIS Translated Text] La Realidad, Chiapas, 1 Oct — At the end of the meeting between Subcommander Marcos, the EZLN [Zapatist National Liberation Army] Command, and Cocopa [Harmony and Peace Commission] legislators, Senator Herbert Castillo said: "We have come out of this meeting with great confidence in what can be achieved between Mexicans in our country, and we believe we can overcome all the discrimination that has been endured for 500 years."

Out of this meeting, held at the request of Cocopa to discuss the EZLN's participation in a national dialogue, local elections, and the forum on Indian legislation, came the signing of an agreement on the latter issue.

Bishop Samuel Ruiz Garcia, president of the National Mediation Committee (Conai), read the six points of the agreement, which was reached in "a harmonious climate" after a meeting that lasted less than two hours and that the Zapatists attended unarmed. The text is as follows:

1. The EZLN accepts Cocopa's proposal to participate in the national forums on Indian rights and the rights of women.

2. The EZLN promises to deliver its proposals to Cocopa regarding the planning, format, and context of these forums.

3. Cocopa promises to receive, study, and reply to the Zapatists' proposals regarding the forum.

The remaining three points refer to a proposal for a national dialogue in which Marcos asked the legislators to act as intermediators in an EZLN dialogue with civilian society and another dialogue between the administration and the political parties.

In the fourth point, the EZLN promises to deliver to Cocopa a national dialogue proposal and its participation in that dialogue. The fifth point mentions Cocopa's promise to receive, study, and respond to that proposal. The sixth and last point of the agreement is on the disposition of the EZLN and Cocopa to have new meetings whenever the two parties consider it necessary.

The greatest achievement of the meeting held in this community, the inhabitants of which have asked Cocopa for guarantees after they gave room and board to the Zapatist leadership, is the sharing of ideas that gave way to a new relationship between the legislative branch and the guerrilla leaders.

PRD [Party of the Democratic Revolution] Senator Herbert Castillo thanked the local residents for their hospitality in the name of Cocopa and manifested his satisfaction and confidence for the advances made, despite the fact "we all know how difficult the process has been."

"Now that we have talked at length with the EZLN comrades, all of Cocopa's members have come out of this meeting with great confidence about what can be done between Mexicans in our country," Herbert Castillo affirmed. Castillo insisted that through a "united spirit" and "honest and sincere efforts" this commission has "overcome resistance" and "has opened space so that the peace with dignity for which the EZLN has fought will become a reality in Mexico."

After the "opportunity of speaking at length and in total sincerity" with the Zapatists, "we are aware that we can reach agreements," the PRD Senator said. Castillo assured that Cocopa has demonstrated "complete sympathy with the social proposals of the EZLN, placing the Mexican people's interests above the interests of the political parties." Castillo added: "We have made it possible to shed a ray of hope through every corner of Mexico of avoiding a massacre, avoiding war and injustice through dialogue."

Commander David spoke for the armed rebels, saying he believed the meeting was positive, because Cocopa "always spoke with true and sincere words, a point which could bring something positive in the peace process in Chiapas and in Mexico."

He warned that as long as "we continue to speak the truth, we are certain we will progress. The only way to progress is with true words. We have always said you cannot achieve anything with lies, except war," EZLN Commander David concluded.

EZLN Proposes Creation of National Dialogue Forum

PA0510192795 Madrid EFE in Spanish 1538 GMT 3 Oct 95

[FBIS Translated Text] San Cristobal de las Casas, Mexico, 3 Oct (EFE) — The Zapatist National Liberation Army [EZLN] is trying for the second time to unite Mexico's social and political forces so as to restore the idea of a civil front that failed last year because of internal disagreements.

This second attempt is contained in an EZLN proposal to create a national dialogue table to debate government reforms, a table in which what the EZLN describes as "civil society" would participate. This concept, very much used by the rebels, includes nongovernmental organizations, social groups, marginal political organizations, and unions such as Route 100 (public transportation), the most combative in the country.

In a communique released last night, hours after a new round of peace talks with the guerrillas began, the guerrillas said: "We want a dialogue in which all of those who have not had a voice can speak up. We want to take the voice of civil society to other national political forums."

This proposal is the rebels' response to an invitation by the government and assembly for the EZLN to participate in a national dialogue with political parties and authorities and seek Mexico's political reform. Instead of accepting this invitation, the rebels have chosen to hold their own forum and transfer the conclusions reached therein to a national dialogue in which the political parties and government can participate.

Members of the government delegation participating in the peace talks told EFE today the EZLN's proposal seeks to create a kind of organization resembling the National Democratic Convention, which included similar members in August but which failed because of internal disagreements.

EZLN Communique on 7th Round of San Andres Talks

PA0510235995 Mexico City LA JORNADA in Spanish 4 Oct 95 p 6

[Communique by the Mexican Clandestine Indian Revolutionary Committee General Command of the Zapatist National Liberation Army; issued in Mexico City on unspecified date in October 1995]

[FBIS Translated Text] Brothers: First. - This EZLN [Zapatist National Liberation Army] has given clear demonstrations of its political will to advance in the quest for peace with justice and dignity.

In view of the new progress achieved in this seventh round of talks in San Andres, we have again demonstrated today our will to find a political solution to the serious problems of our people.

We have advanced today in desegregation, in the topic of the guests, in the time frames for the tables and working groups, in the regulations for their operation, and in the security measures that are necessary to carry out this work.

You, the people of Mexico, have been witness to this will, to the progress achieved.

Second. - There is a political situation, however, that concerns everyone. What endangers and places at risk what we have achieved?

We are speaking of the political situation of repression, of assassinations, of provoked confrontations, and threats in several parts of the state.

Third. - In these days, just as in other meetings in San Andres, this delegation has had direct knowledge of several acts of repression, principally of the extreme conditions of unrest in many parts of the state.

Fourth. - Let us cite as examples:

1. The recent political assassinations in Jaltenango La Paz and all the situation of tension and impunity in the central valleys, where groups financed by members of the so-called "Chiapas family" operate in a defiant manner.

2. The alarming number of confrontations and deaths in the municipalities of Tilia, Tumbala, Salto de Agua, and Sabanilla. These incidents of control and repression have been disguised as preelection problems and in recent days have been broadly documented and denounced by some human rights centers and official commissions.

3. The permanent situation of violence generated by expulsions in Chamula Municipality.

4. The expulsions and threats of expulsion of several priests and nuns of the San Cristobal Diocese.

5. The tense situation as a result of the charges of irregularities in the electoral process in the municipalities of Ocosingo, Las Margaritas, Altamirano, and Palenque, irregularities that speak of the delicate post-electoral problem.

6. Also, there is a national political situation that we have analyzed in other documents.

Fifth. - In the face of all this situation, which seemingly seeks to hinder and disrupt the process in search of a political solution, we appeal to federal and state authorities, to the Powers of the Union to halt this climate of provocation and violence, not to maintain silence, and not to stop doing what they can.

They should step in and contribute to seek a better political climate for this process of dialogue and negotiation.

We have clearly established this in the table of negotiations in San Andres.

Sixth. - We state it clearly: We have progressed. There are documents. There are agreements. But there are no facts, there are no real signs of political and military detente on the part of the authorities.

That is all.

Democracy!

Liberty!

Justice!

From the mountains of southeast Mexico:

[Signed] Clandestine Indian Revolutionary Committee - General Command of the Zapatist National Liberation Army.

[Dated] Mexico, October 1995

Document Outlines Army Reorganization, Part II

PA0510203295 Mexico City EL FINANCIERO in Spanish 26 Sep 95 pp 28, 29

[Second of three installments of an article by Ignacio Rodriguez Reyna: "The Enemy Is Also Within: The Defeat of the Old Doctrine of National Security"]

[FBIS Translated Text] *Division General Mario Castillo Fernandez, commander of the Seventh Military Region, liked to say the Mexican Army does not have domestic enemies. That is not the case now. His view has been defeated within the military ranks. It is one more casualty registered in the southeast.*

As confidential documents of the Armed Forces reveal, after the military episode in Chiapas, the military doctrine of national security has radically changed: The enemy is also within.

What else can the creation and strengthening of special forces and commandos within the Army structure mean? Where and who are they going to fight?

Although existing war manuals briefly mentioned it, the new emphasis on domestic threats represents recognition that conditions in Mexico have drastically changed.

"It is a new approach to national security. It is acknowledged that a domestic problem exists and that conflicts such as that of Chiapas must be forestalled, if need be with the use of force. That is the reason for the creation of special forces," Roderic Ai Camp, one of the foreign experts who has studied the country's Armed Forces the most, has said.

"Of course, there are domestic threats. The change in the national security doctrine was inevitable, just as it will be inevitable that poverty, abject poverty, as well as drug trafficking will be included among the elements affecting the nation's stability," a division general who was consulted has said.

The old military maxim about Mexicans not killing each other no longer holds true.

The Army high command has proceeded to review the prevailing doctrines in this area and to examine the laws, regulations, and manuals so as to adapt them to these times and reality, as established by the Mexican Army and Air Force Development Program.

In fact, the readjustments have begun. A deputy command on doctrine is in the process of being created, and each section will have a similar office.

The Air Force command and the directors of the forces and services will participate in the review of the doctrine and the tactical, technical, and administrative manuals.

The fall in disfavor of the old national security doctrine has already been seen in the United States. Donald E. Schulz, of the U.S. Army War College, wrote just days following the Zapatist uprising:

"The sudden appearance of a serious domestic threat to Mexico's national security suggests the need to undertake changes in the structure of the commands, intelligence, and mission of the Armed Forces."

Moreover, in the analysis entitled *The Mexican Military Approaches the 21st Century* he ventured to predict certain changes:

"It seems probable that the new reality will lead the Army to partially move away from its civic actions and antinarcotics tasks, concentrating much more on counterinsurgency activities."

He was mistaken regarding the antinarcotics tasks but not in what refers to the counterinsurgency activity.

The New Intelligence of the Mexican Army

The text used by the officers who take the strategy course at the Superior War College states:

"The function of the Armed Forces in maintaining domestic order is generally circumscribed to providing guarantees to the authorities, preventing political disputes from being resolved through violent means...aiding the people in case of disaster, etc. [no closing quotation mark as published]

"The only internal policy of force should be in the police, gendarmerie, and related organizations, as necessary. The Armed Forces should be used only in extremely serious instances of disruption of internal order and rebellion."

These instances apparently can recur, and, because an internal enemy already exists, the Armed Forces command has decided to give impetus to intelligence and counterintelligence tasks. According to documents obtained by EL FINANCIERO, the Army expects on a medium-term basis to have a "true intelligence service" to anticipate and stop any movement, not because an intelligence service does not exist but because "of the intent to improve the capability for handling information, analysis, and deliberation," as one lieutenant colonel explains.

According to military sources, the idea is to reorganize and allocate greater human and material resources to Section II of the National Defense Secretariat's staff, which is in charge of intelligence tasks. Until 1994, in addition to doing intelligence work, Section II was responsible for setting up "special events." If a secretary attended a breakfast, the military men attached to the secretariat had to set it up and "look after the press."

"There was no specialization or single channels. There is unity, but the high command has attached no importance to intelligence. This is no longer the case. The high command no longer devotes itself to other tasks," one of the consulted officers has said.

For the time being, the Mexican Army has intensified the work to detect the existence of groups similar to the EZLN, according to the Sedena documents:

—"Creation of Intelligence Services."

—"Instructions were given for troops to act efficiently by patrolling potentially conflictive areas after increasing the search for information to identify other probable areas of conflict."

—"To increase the search for information, based on essential and realistic elements, to learn about the number of men and nature of the activities of transgressors, putting them in their right place."

—"To train troops in patrolling and in the search for information on transgressor groups and to act in cases of probable confrontations."

—"To reexamine the operational deployment of territorial commands with probable conflict problems."

With this new definition of military intelligence tasks, the high command has admitted the need to improve an area that has been neglected for a long time, social communication tasks.

Since last year, an effort was made to improve an image that had been deteriorated by the Chiapas conflict, for which Sedena hired a public relations firm headed by the son of Manuel Alonso, presidential spokesman during the six-year government of Miguel de la Madrid.

The same objective is intended to be achieved now. In this regard, the tangible tasks are as follows:

— Establish procedures or sign accords with a local information agency and a foreign information agency so that the latter will get the required information before it is made public in order to have time to analyze it and summarize it, considering agencies and other sorts.

— Set a quick, timely, and reliable distribution procedure that will allow the National Defense Secretariat to release information, thus guaranteeing it will not be distorted. This distribution (will be made) through a central body.

According to Guillermo Garduno, a university researcher and one of the few Mexican military strategy specialists, we are trying to build a highly centralized structure that could suppress adverse information and could stump propaganda.

"They constitute elements of psychological war and media handling. It constitutes a strengthening of intelligence tasks," the sociologist has said.

Fighting Drug Trafficking, a Task the Military Does Not Want

One of the new tasks the Army high command has assigned to the military is the direct participation in the fight against drug trafficking. It is part of the new doctrine of national and internal security.

The document attached to the Army Development Plan has stated that "a new guideline has already been issued in order for the units assigned to the territorial commands to participate in the campaign against drug trafficking."

Orders will be carried out, but there is no unanimity among officers, not even among high-ranking officers. Even more, they are showing resistance. "I do not like the idea. It is too risky, too dangerous. I have been a commander in Tijuana, in the so-called Golden Triangle. I have seen many things. Corruption could emerge. We are professional military officers. The Constitution clearly stipulates our duties," a division general has said.

He has argued that drug trafficking activities constitute a crime. "The Attorney General's Office is the organization that must conduct the investigations, which are police investigations. It is not us. And if this were the case, are we going to go after high-ranking politicians involved in the business and who offer protection?"

Nevertheless, positions are not homogeneous. A consulted official believes what happened in Chihuahua, a state where the military has had to act in light of the huge drug trafficking movement, constitutes an indicator of the trend. "The integration of military officers into the drug trafficking fight is inevitable," he has said.

Regarding this event, reality has played a role more important than the pressure U.S. authorities have exerted. "Drug trafficking constitutes the biggest threat to national security."

The military recognizes the risk of Armed Forces members falling prey to corruption, but they argue it is impossible to prevent them from participating in the fight against drug trafficking in order to avoid their falling prey to corruption. Meanwhile, "the house is falling apart, collapsing."

"Every fight has its casualties, and the Army will undoubtedly sustain casualties in this fight, which is a true fight."

Anti-Party Bias Denied by Bishops

95CA0404B Mexico City LA JORNADA in Spanish 22 Sep 95

[Article by Jose Antonio Roman — received via Internet]

[FBIS Translated Text] The president of the Conference of the Mexican Episcopate (CEM), Sergio Obeso Rivera, and the archbishop primate of Mexico, Norberto Rivera Carrera, denied that the Catholic Church has launched a campaign to discredit the PRI [Institutional Revolutionary Party] and the government through their homilies and public statements.

"I do not have any scheme, nor am I part of any group or plan against the PRI. I simply say what I think and I have never talked about any party," said Rivera Carrera, adding: "If the shoe fits, wear it."

For his part, Obeso said that the Mexican Episcopate has not established any official policy or position to tarnish the image of that party or of the government.

"We hope that this is the rash view of some individual and that this does not jeopardize the relations of peace, understanding, and tolerance that we must have in a pluralistic republic in which there is freedom of thought and expression, so that all people can say whatever they see fit to," the prelate remarked.

The two Catholic hierarchs were interviewed at the San Ildefonso School after the opening of the Ninth International Congress of Canon Law and Religious Freedom, sponsored by UNESCO and organized by the Legal Research Institute of UNAM [National Autonomous University of Mexico] and the "Consociatio Internationalis Studio Juris Canonici Promovendo."

In his opening message Obeso Rivera indicated that until recently canon law was merely a reference to the Middle Ages and the issue of freedom of religion evoked grievances or pious practices more than anything else. Things have changed, however, he said, since the reform of Article 130 of the Constitution and of the Law of Religious Associations and Public Worship.

He indicated that Mexico, like many other countries, is witnessing a search for true liberty and a better life for all of its inhabitants, with respect for their differences and convictions, in order to achieve a more civilized, peaceful coexistence.

"We too are familiar with extremes and more than a few times have suffered because of our own intolerance and fanaticism. In centuries past membership in the church was almost the sole source of civic legitimacy, and later the same church was discredited and expelled from the sphere of legal action," Obeso Rivera recalled.

Norberto Rivera, the archbishop primate of Mexico, denied that the church is involving itself in political issues that are none of its business. "The church is speaking out on the basis of faith and on the basis of the Gospel, and from this perspective the church must say what the situation is and must proclaim the truth and justice."

Correction to PRI Criticizes Government's Economic Policy

WA0610120995

The following correction pertains to the item headlined "PRI Criticizes Government's Economic Policy," published in the 27 September Latin America DAILY REPORT, page 16:

Column one, third full paragraph make read: ...[FBIS Editorial Report] During 19 September... (correcting processing indicator from "FBIS Translated Text" to "FBIS Editorial Report")

Guatemala

UNHCR Source: Attack on Repatriates Claims 8 Lives

PA0610030495 Mexico City NOTIMEX in Spanish 2316 GMT 5 Oct 95

[FBIS Translated Text] Guatemala City, 5 Oct (NOTIMEX) — A UN High Commissioner for Refugees (UNHCR) source today reported that at least eight are dead and 18 are injured in the aftermath of an attack on a village of repatriates in northern Guatemala.

The UNHCR source told NOTIMEX that they learned that the initial toll is eight dead and 18 injured but stressed that these are preliminary figures from today's attack on a village in the northern Department of Alta Verapaz. A leader of the Guatemalan repatriates stated that 25 are dead and more than 20 are injured.

The incident took place in the Xaman ranch in the community of "La Aurora-Ocho de Octubre" in the Chisec Municipality of Alta Verapaz, the sources indicated.

Ricardo Curtz, representative of the largest organization of Guatemalan refugees in Mexico, told NOTIMEX that unidentified persons carried out the attack "with rifles and grenades" against refugees who were holding an assembly in their village.

Some 450 refugees live in the settlement they established in October 1994 after living as refugees in Mexico for more than a decade, the UNHCR source added.

Guatemalan authorities and the National Police declined to make any comment on today's incident.

Defense Minister Mario Rene Enriquez today denied another report on an attack carried out a few days ago on another village of repatriates.

Survivor Blames Army

PA0610041595 Mexico City NOTIMEX in Spanish 0355 GMT 6 Oct 95

[FBIS Translated Text] Guatemala City, 5 Oct (NOTIMEX) — Members of the Guatemalan Army are responsible for the massacre reported on 5 October in a community in northern Guatemala, a survivor assured this evening.

Nobel Laureate Accuses Army

PA0610030795 Panama City ACAN in Spanish 0052 GMT 6 Oct 95

[FBIS Translated Text] Guatemala City, 5 Oct (ACAN-EFE) The 1992 Nobel Peace Prize winner, Guatemalan Indian activist Rigoberta Menchu, has accused the Guatemalan Army of today's massacre of at least eight peasants in Alta Verapaz Department. The victims are among those who have returned to their country from Mexico.

The Menchu Foundation has named the Army as being responsible for this attack, the activist said in a telephone statement from the University of Wisconsin, United States, to Guatemala's Sonora es la Noticia radio station.

According to repatriated Guatemalans, 30 people died, said Rigoberta, who "strongly" condemned and repudiated the terrorist attack.

So far there is no confirmation on how many persons have died because the UN High Commissioner for Refugees has reported that eight persons died and 15 were wounded.

The massacre took place today when unidentified persons threw grenades and fired on peasants meeting in the community Aurora 8 de Octubre.

With information provided by her foundation, Menchu told the radio station that she knew this meeting was going to take place because the peasants were going to prepare acts to commemorate the first anniversary of their return from Mexico next Sunday.

Menchu, of the Quechua, said: "I strongly condemn this repressive action that once again brings mourning to Guatemala. History will have to register this as another massacre."

This attack, she said, does not contribute to the peace we Guatemalans want.

The Nobel Prize winner announced that she will work so that the Guatemalan Government and the Army are condemned in the United States for this killing and noted that the repatriated people "have nothing to do with the guerrillas."

Armed Forces Spokesman Colonel Guillermo Caal told ACAN-EFE that the Army does not patrol the area where the massacre occurred.

Rios Montt Sentenced for Violating Constitution

PA0510223595 Panama City ACAN in Spanish 2211 GMT 5 Oct 95

[FBIS Translated Text] Guatemala City, 5 Oct (ACAN-EFE) — Coupist Retired General Efrain Rios Montt, suspended from the presidency of Congress, was sentenced today for violating the Constitution, abuse of authority, and usurping functions by a Guatemalan court, which imposed a $8,474-fine on the general.

The Fourth Criminal, Narcotics, and Environmental Court ordered Rios Montt to pay 50,000 quetzales (approximately $8,474). Rios Montt was suspended from his post of Congress president last August so he could face the process.

"Now I am waiting to be handcuffed and to be taken to prison," the retired military officer said, concluding he has no money to pay the fine.

Canada Extends Democratic Development Fund for 3 Years

PA0510230495 Guatemala City Televisiete Television in Spanish 1900 GMT 4 Oct 95

[From the "Channel Seven News"]

[FBIS Translated Text] The Canadian Government has announced it will extend for three more years the Fund for Guatemala's Democratic Development, FDDG, by granting an additional $3 million. The Fund should have expired in March 1996.

During its second phase, the project will focus on the decentralization process and the initiatives to support the identity and respect for the rights of the Indian population, Christine Stewart, Canadian secretary of state for Latin America and Africa, has announced.

Canada created the fund in 1994 with a little over $1 million and thanks to the initiative some 1,000 Mayan widows have received courses on human rights through the Conavigua [National Commission of Guatemalan Widows].

Foreign Minister Confirms Support for Larger UNSC

PA0510141895 Guatemala City Televisiete Television in Spanish 1900 GMT 3 Oct 95

[From the "Channel Seven News" newscast]

[FBIS Translated Text] Guatemalan Foreign Minister Alejandro Maldonado has reported that Guatemala has endorsed a request to increase the number of UN Security Council members, saying more countries should be represented at the Council. However, Maldonado said that Guatemala is not interested in becoming a Council member because socioeconomic aspects constitute the country's priority.

More Peasants To Be Repatriated

96CA0004A San Jose LA NACION in Spanish 19 Sep 95

[Received via Internet]

[FBIS Translated Text] Guatemala, 19 Sep (ACAN-EFE)—Yesterday, the governmental Special Guatemalan Commission for Assistance to Repatriates (CEAR) announced further repatriations of Guatemalan peasants who had taken refuge in Mexico as a result of the military conflict in this country.

The CEAR spokesperson, Ana Victoria Ramirez, reported that, on 20 and 28 September, individual repatriations of approximately 28 families to the departments of Peten, Huehuetenango, and Quiche will be carried out.

She added that five more collective returns have been planned, one involving 50 families going to the El Tumbo farm, located in Sayaxche, Peten.

Over 45,000 Guatemalans fled to Mexico during the early 1980's because of the guerrilla struggle and the counterinsurgent activity.

According to the CEAR, more than 20,000 Guatemalan peasants have left the refugee camps in the southern states of Chiapas, Quintana Roo, and Campeche, and have voluntarily returned to the Central American country.

Some 187 Crimes Registered in Jul, Aug

96CA0001A San Jose LA NACION in Spanish 14 Sep 95

[Received via Internet]

[FBIS Translated Text] Guatemala, 14 Sep (ACAN-EFE)—The Mutual Support Group (GAM), which has relatives of 45,000 missing persons in Guatemala as members, charged yesterday that at least approximately 187 crimes, including 32 extra-judicial executions, were recorded in July and August of this year.

The organization's president, Nineth Montenegro, declared yesterday that Guatemala has been typified by high rates of violence and citizens' insecurity occurring on the eve of electoral processes.

Montenegro, a candidate for deputy representing the New Guatemalan Democratic Front (FDNG), of the left, which is promoting the presidential candidacy of Jorge Gonzalez, claimed that 265 human rights violations have been recorded during the past two months.

The humanitarian leader explained that there have been reports of 155 assassinations, 32 extra-judicial executions, 12 forced disappearances, 22 kidnappings, 12 death threats, 23 attacks, and nine cases of abducted children.

According to the Office of the Attorney for Human Rights, during the first seven months of 1995, 159 charges of extra-judicial executions, and 57 of missing persons, were submitted to that institution.

Honduras

Foreign Minister on UN Meeting Results, U.S. Law

PA0510015295 Tegucigalpa Telesistema Hondureno Television Network in Spanish 0100 GMT 3 Oct 95

[From the "This Very Day" newscast]

[FBIS Translated Text] Today, Foreign Affairs Minister Delmer Urbizo Panting discussed the outcomes of his meeting at the United Nations [UN]. Among other things, the foreign minister said the U.S. Congress has frozen approval of a law that would extend better treatment to Honduras or to products exported from Honduras to the U.S. market. Here is Roberto Reyes with the report.

[Begin recording] [Reyes] Honduras obtained new bilateral and multilateral agreements by participating in the regular assembly of the UN, according to Foreign Minister Delmer Urbizo Panting.

[Urbizo] In meeting with Alexander Watson, our position was to defend the economic interests of Central America because of problems that are occurring in the United States, such as withdrawing from the agenda the program of commercial security, known as NAFTA parity, given the concern of some U.S. congressmen [words indistinct]. With that opportunity, we demanded the tacit and unconditional support of the Clinton administration so that this program will be submitted again to the Congress and so that we Central Americans can have an opportunity to develop our industries in a balanced and progressive manner. Alexander Watson voiced the support of the Clinton administration in that respect.

[Reyes] During a news conference, the foreign minister also referred to the progress in the delimitation of the Honduras - El Salvador border, which is being carried out, considering that dual nationality will not be approved.

[Urbizo] We are not forgetting that persons born before the ruling are Honduran citizens or about others whose nationality might be affected for having lived outside of national territory. I don't think there will be any problems in that respect. If they have property, and we consider them to be Hondurans, then they will fall under the authority of Article [words indistinct]. Those who do not want to [word indistinct] will have to assume the consequences.

[Reyes] Finally, the foreign minister referred to the delimitation work under way on the Honduran-El Salvador border, which has continued without any problem. [end recording]

President, Armed Forces Chief on Soldiers' Day

PA0610014695

[FBIS Editorial Report] Tegucigalpa LA TRIBUNA in Spanish on 4 October on page 9 publishes a 900-word article describing the commemoration of Army Day simultaneous with the 203d anniversary of the birth of the Central American paladin, General Francisco Morazan Quesada. The ceremony was held at the Gen. Francisco Morazan Military Academy and was attended by President Carlos Roberto Reina, diplomatic representatives, and other guests. The entire place was well guarded by six armored vehicles posted around the field of the military academy. Following the traditional 21-gun salute and a graduation of cadets, Guatemalan Brigade Gen. Mario Barrios Zelada decorated General Luis Alonso Discua Elvir, chief of the Honduran Armed Forces, with the "First Class Military Cross of Merit" granted to him by the Guatemalan Armed Forces.

In his speech on the occasion, President Reina "extolled the virtues of hero Francisco Morazan and the work carried out by the Francisco Morazan contingent which traveled to Haiti on a peace mission sponsored by the United Nations." The president said "Central America will continue to be a group of seven micro nations, subsidized and self-marginated by their identity crisis, if they do not heed the call for integration of Francisco Morazan." "The discordant calls of those seeking isolation should not be heeded by those who seek the unity of Central America," he remarked in his emotional speech. For his part, Honduran Armed Forces Commander Gen. Luis Alonso Discua said: "I will not allow political forces to interfere in the domestic affairs of the Armed Forces on the day of the Honduran soldier. On this day, dedicated to the Honduran soldier, I reiterate that the actions of the Armed Forces will be for the nation's benefit." He noted that the Armed Forces "are not the instrument of anybody's ambition or a political springboard for sectarian interests, and in time will be the authentic expression of the conscience of our people." Discua stated that the post-Cold War period has raised the hope of "establishing a lasting peace, together with a permanent defense of democracy and human rights."

Panama

President: Opposition Allowed in Talks on U.S. Bases

PA0410175295 Panama City EL PANAMA AMERICA in Spanish 4 Oct 95 p B-6

[By Arnulfo Barroso Watson]

[FBIS Translated Text] President Ernesto Perez Balladares confirmed after meeting the Arnulfist Party [PA] leadership last night that Panama and the United States will open "exploratory" [exploratorio] talks in two or three weeks on the issue of a U.S. military presence in Panama after the year 2000. Perez Balladares disclosed that the opposition could participate in the talks "at any level they want."

Perez Balladares had breakfast yesterday with PA President Mireya Moscoso. He visited PA headquarters in the afternoon, where he briefed the opposition leaders on the scope of his talks with U.S. President Bill Clinton regarding the topic of military bases.

The president told EL PANAMA AMERICA that his government would appoint "delegates to the talks" in the coming hours. These delegates, who will discuss the topic of the military bases with their U.S. counterparts, might include members of opposition parties.

"We invite PA members and all Panamanians who have any interest in meeting with us, because this dialogue will be an open one, without any secrecy," he emphasized.

Mireya Moscoso thanked Perez Balladares for his explanations on the subject of the bases. An Arnulfist source indicated that the president stated that the talks will be divided into three stages:

1. exploratory talks;

2. formal [formal] talks;

3. a referendum for the Panamanians to approve or reject the agreements resulting from these talks.

The source added that the president said he believes the results of the talks are expected for late 1996.

According to the source, the president remarked that other formulas will be considered, among which he mentioned the possibility of a joint use of Howard Air Force Base by the two countries.

Meanwhile, Panamanian Ambassador to Washington Ricardo Alberto Arias disclosed that the United States appointed Michael Skol, principal deputy assistant secretary of state for the Hemisphere, as chief of the U.S. negotiating team. He added that the U.S. Government informed him that officials from the White House and the Department of Defense, who have not been designated yet, will also make up the U.S. team. Arias noted that the United States "is determined to negotiate," as was stated within the context of the meeting held between President Clinton and President Perez Balladares. According to the ambassador, Washington "was the first one to decide that it would be interesting or beneficial for the United States" to maintain its military presence in Panama. He said that the first talks — which would be held in both countries — would be "very preliminary" and geared toward establishing the benefits that maintaining the U.S. troops would entail for Panama.

Politicians Consider Renegotiation of U.S. Bases

PA0410191895 Panama City Telemetro Television Network in Spanish 1730 GMT 4 Oct 95

[Report by Myrna Ortega; from the "Telemetro Reports" newscast]

[FBIS Translated Text] Arnulfist Party [PA] members met this morning on a possible renegotiation of military bases, following President Ernesto Perez Balladares' talks with the PA's board of directors on his September trip to Washington. Today's reaction to the talks between PA President Mireya Moscoso de Gruber and the president has been mixed:

[Begin recording] [Moscoso de Gruber] President Perez Balladares briefed the party's board of directors last night on his conversation with President Clinton. He said that nothing is underway yet — only an exchange of views between the Panamanian and U.S. Governments — and that the U.S. and Panamanian Governments have yet to appoint commissions to the talks. We are waiting for him to appoint the commission to the talks. The Panamanian people must know what will be negotiated. We must know what is being negotiated with the U.S. Government before we respond.

[Ortega] Would you support any negotiation on the bases?

[Moscoso de Gruber] I cannot forecast the PA's position. The board of directors must consider this. We will consider what is best for the Panamanian people. The Panamanian people must decide whether they want the bases to stay or go. We cannot respond until we know what is to be negotiated. [end recording]

Former President Guillermo Endara has said that he does not agree with renegotiation. He also said that he would not participate in any commission:

[Begin Endara recording] Negotiating over the bases is not in our national and economic interests. This is not reality. I want my position to be clear. I spoke as an individual when I was a candidate for president, when I was president, and now as Guillermo Endara, the former president of the republic. I cannot speak on the PA's behalf. PA members agreed at today's meeting that we must comment in public on this issue and discuss it at length. It cannot be a demagogic and superficial discussion. It must be discussed in depth and properly analyzed. [end recording]

Foreign Minister Gabriel Lewis Galindo will be responsible for organizing the team that will represent Panama at the talks. The president has confirmed that this will be an open dialogue.

Former Canal Administrator on Negotiating With U.S.

PA0510214095 Panama City EL PANAMA AMERICA in Spanish 3 Oct 95 p A6

[Commentary by former Panama Canal Administrator Fernando Manfredo Jr.]

[FBIS Translated Text] It looks like we will begin negotiating with the United States the issue of the military bases along with trade agreements.

One of the things we need to do is select good negotiators. We do not seem to recognize here that negotiating is an art and that in addition to having the required natural abilities, negotiators should learn the techniques. It is not a matter of being white, having studied in the United States, speaking English with no accent or knowing about American football.

With good negotiators and an adequate strategy, there should be no reason for the lion (the strongest) to take the role of the lion and the lamb (the weakest) to take the role of the lamb. As Thomas R. Colosi, former vice president of the American Association of Arbitration, said, "strength sometimes is a matter of perception; if one side believes the other to be the lion, the other side will in fact be the lion during the negotiations."

A cause for confusion during negotiations with the United States is that we see them as a model of modern democracy, founded upon equality of all citizens before the law, a government of the majority, respectful of individual rights. Therefore, we had come to believe that it would fully adhere to those same principles in its foreign policy. That is not the case. There are numerous examples to demonstrate how the United States, in its foreign policy, puts aside all the principles governing its internal policy and applies only one criterion: the strategic economic and military interests of the United States.

It is important to keep this in mind when we are at the negotiation table. Those who think the United States will make major concessions based on considerations of justice, equality, friendship, and so on, are losing track of reality and are pursuing the wrong tactics and strategies of negotiation.

The primary U.S. objective in any negotiation will be to get as much benefit as possible at the minimum cost and risk. To the United States, in international relations or corporate negotiations, "business is business," and there is no place for generosity.

When negotiating with the United States, it is important to know the internal process of foreign policy. The input comes from the executive branch, Congress, interest groups, political parties, some congressmen who are stronger than their own parties, the electorate, and bureaucracy.

In Panama, as a rule, the president, who has control over his advisers, the cabinet, and even the legislative majority direct foreign policy. As mentioned before, there is a wide range of interested parties in the United States, which have to be acknowledged by the negotiators when drafting their strategies and tactics for negotiation.

My experience during the Torrijos-Carter treaties negotiations has led me to conclude the following with regard to those strategies and tactics:

- We should quantify the value of what we have and what we are willing to offer in order to establish what we want in return and obtain something with a greater value than what we are offering. The United States is the interested party. This is not like the Canal Treaties; they had everything then, and we had nothing. Now, we have everything.

- Prior to sitting down at the negotiating table, we should plan and be ready to present our proposals to avoid working exclusively on what the United States presents.

- Some rules should be established before starting the negotiations. One rule should be that negotiations will be handled only by the negotiators. It is inappropriate for the U.S. ambassador or Department of State officials, and even congressmen to go over the heads of negotiators and negotiate directly with the Panamanian president, which has been the case in the past. When the president makes a statement, he commits the nation, while the others act ad referendum. This would also be diminishing the role of our negotiators.

- Ambiguous language should be avoided at any rate, and the best translation possible should be obtained. Afterward, the strongest would make his interpretation prevail.

- We should try to hold the negotiations in Panama, where we have all the information.

We have negotiated with the United States on many occasions since it showed interest in our isthmus, beginning in the 19th century. Those negotiations have not always been successful, but we have acquired experience. The interest the United States has in our country, as well as our own interest in the United States, allows us to predict that these negotiations will be the same or more intense than previous ones. For that reason, we need to strengthen our ability to negotiate by training our personnel, introducing technology, and allocating resources.

Economist: Withdrawal of Bases To Cause Minimal Effect

PA0610013295 Panama City LA PRENSA in Spanish 3 Oct 95 p 17A

[Article by Julio Cesar Aizprua]

[FBIS Translated Text] A study carried out by the Center of Economic Investigations of the University of Panama has revealed that the overall effect the removal of military bases will have on the gross domestic product (GDP) will be $307.3 million, in other words less than 5 percent of the nominal value of this indicator.

According to Juan Jovane, director of the Center of Economic Investigations of the Economy School of the University of Panama, this quantity indicates that the problem is of "manageable" dimensions for the country, which has options to recover those millions.

"The sooner we begin developing a cushion to absorb the economic effect, the better it will turn out for us," he added, acknowledging that here is where delays have set.

According to the study, on the aspect related to the gross value of production, which includes the intermediate purchases or sales between different sectors, including imports, the effect will be of $469.4 million.

That amount is the result of the added gross value, which is $307.3 million; of the national input that represents $134.5 million; and imported materials which total is $27.6 million.

When referring to the trade balance (not including the other factors in the current account, or the capital account in the balance of payments), which currently generates a maximum of $49.6 million in net exports, the study points out that the effect should be "much less."

This, the report says, is due to the fact, that direct and indirect imports of consumer goods generated by the presence of military bases in Panama reach $39.1 million.

Meanwhile, economist Marco Fernandez said the effect of the withdrawal of military bases upon the Panamanian economy will not be higher than 2 percent of the GDP, which makes it difficult to think of a recessive phase as a consequence of the withdrawal of the U.S. troops.

Fernandez said that the properties to be reverted represent to the economy a higher potential for future income, and even if those areas produce an annual output of 5 percent, it will compensate the loss of income resulting from the withdrawal of the bases.

According to Fernandez, based on 1994 market prices, the value of the canal areas, which extend to 500 sq km, excluding the waters, areas already reverted, and the value of the forests, amounts to $5 billion and not to $30 billion.

PTJ Creates Special Unit To Detect Counterfeit Money

PA0410230595 Panama City LA PRENSA in Spanish 2 Oct 95 p 3

[Report by Jose Otero]

[FBIS Translated Text] Sources from the Judicial Technical Police [PTJ] have disclosed that the PTJ created a special unit to detect counterfeit money and face the international bands devoted to this illicit action that are trying to use Panama as a new field of operation.

It was also disclosed that this new unit, which has agents duly trained by national and foreign experts, has set strategies to attempt to stop the entry of counterfeit money, mainly coming from Colombia and the United States, into national territory.

The source pointed out that the method counterfeiters are using consists of using bills of low denomination (five's and twenty's) to use them in small businesses, thus avoiding the filter the banking center or large companies have.

In the last few months, large amounts of counterfeit money of low denomination have been found circulating at gasoline stations, small supermarkets, markets, drug stores, movies, and fast food joints.

"We have a more precise control to prevent 50-dollar and 100-dollar bills from being used in businesses; however, the bills of lower denominations do not have a filter," the source explained, adding that there is evidence that international bands devoted to this illicit action are trying to "swarm" the Panamanian territory with this counterfeit money and that, at the same time, they are doing this to use it as a "meter" to ensure that they can send this money to other countries in the area.

It was learned that the National Banking Commission is training personnel to clearly detect counterfeit money of low denomination circulating in the country.

Police reports stated that techniques to forge credit cards by using heat to reimprint the base numbers and then use them at automatic tellers have been detected. Likewise, credit card forgers "scrape" the original numbers and imprint new ones. This technique has been detected more frequently. It was warned, however, that these techniques "are being used by bands of forgers attempting to invade Panama."

Housing Ministry To Relocate Plot Owners in Reverted Areas

PA0610015995 Panama City Circuito RPC Television in Spanish 2300 GMT 4 Oct 95

[Report by Marcos Castillo; from the "RPC Television News" newscast]

[FBIS Translated Text] Those who have not built houses in the reverted areas will lose their plots of land, according to the Housing Ministry.

Following the enactment of the ARI [Interoceanic Region Authority] Law, the deadline for the construction of houses in the reverted areas expires on Thursday, 5 October, and the Housing Ministry is getting ready to enforce this law.

[Begin recording of Deputy Housing Minister Rogelio Paredes] Those who have not built houses in the reverted areas as has happened and will happen...[pauses] We are going to find many cases of people who are going to have plots of land there without having initiated the construction of their houses. These people will be the first to be relocated elsewhere. I have received nearly 2,000 applications from persons who want to enter the reverted areas. There is a commission appointed by the president working on that. [end recording]

Those who have plots of land, however, say they want more time to finish building their houses.

[Begin recording] [First area resident] The economic situation is very bad and we cannot spend $3,000 or $4,000. Our salaries are too low. There are many people who do not even earn a salary.

[Second resident] I say many people will refuse to give up their plots of land.

[Third resident] We have invested $2,000 here and it is unfair for them to take it away from us. We will be able to finish our houses in 15 days. The rains prevented us from finishing. [end recording]

The truth is that the plots of land are not enough for the amounts of applications received.

European Chambers of Commerce Interested in Reverted Areas

PA0610041795 Panama City Circuito RPC Television in Spanish 2300 GMT 4 Oct 95

[From the "RPC Television News" newscast]

[FBIS Translated Text] A delegation of the Association of Chambers of Commerce and Industry of the European Union has informed President Ernesto Perez Balladares about the interest of European investors in establishing areas for the processing of export products in the reverted areas of the Panama Canal. They have also shown an interest in the City of Knowledge promoted by the government.

The Euro-Chamber, comprising more than 800 regional and national chambers, wishes to invest in the multisectorial areas, while technological institutions and universities specializing in scientific research wish to participate in the educational complex that will operate in Amador once these U.S. military installations are turned over to Panamanian administration, according to Rene (Butant), director of Euro-Center Panama, who is participating in a meeting at the Palace of the Herons.

Argentina

Defense Minister Comments on Chilean Rocket System

PY0510231995 Buenos Aires TELAM in Spanish 2218 GMT 4 Oct 95

[FBIS Translated Excerpt] Buenos Aires, 4 Oct (TELAM) — Defense Minister Oscar Camilion today attached no importance to the production of the Chilean rocket Rayo and stressed that Argentina has not lost the capability to "manufacture rockets."

Camilion said: "The announcement by the Chilean Government is not a worrisome military announcement," adding that "it is nothing new, it was already known about by the Argentine defense sector."

The minister said the manufacture of an artillery system by Chile "does not provoke any concern from a defense viewpoint."

Camilion made these remarks after opening the First Symposium in Leadership at the Superior War School in the Palermo district of this capital.

The minister stressed: "Argentina has not lost its capability to manufacture rockets" and recalled that we still "have the technology that was developed at El Chamical Base" in La Rioja Province.

"Our capability to manufacture to a certain level still exists," he stressed.

Regarding the Rayo rocket, Camilion explained that "it is not a question of a real surprise because this level of technology has for a long time been within the reach of our Armed Forces."

He said the project has "much lesser range" than the deactivated Argentine rocket Condor II, which was discontinued in 1991.

The Rayo system has a range of 40 km, while the Condor II had a range of 800 km and could transport either satellites or warheads, which means it was considered a medium-range rocket.

Regarding the space tests being carried out by Brazil, the minister acknowledged that the neighboring nation "has the ability to manufacture medium-range rockets, like our country," and added that Brazil "is in a position to put satellites into 500 km orbits." [passage omitted]

Economy Minister Acknowledges 'Tough Year,' 'Difficulties'

PY0510104795 Buenos Aires TELAM in Spanish 2030 GMT 2 Oct 95

[FBIS Translated Excerpt] Buenos Aires, 2 Oct (TELAM-SEM) — While lecturing at the opening ceremony of the Metalworking Industry International Fair Metalurgia '95, Economy Minister Domingo Cavallo today emphasized that this is a tough year, and acknowledged the difficulties in implementing anti-dumping [preceding word in English] and microeconomic measures.

Cavallo said: "Sometimes, after implementing these antidumping mechanisms, we do not achieve the expected results and, quite the contrary, the price of industrial raw materials is increased." He added: "We are aware of your difficulties, especially this year."

Regarding these mechanisms, which have been requested by the Adimra (Association of Metallurgical Manufacturers of the Argentine Republic) entrepreneurs, who are sponsoring the fair, Cavallo noted that "we are also learning to properly use these mechanisms," which are very sophisticated.

Cavallo emphasized: "I am the first one to acknowledge that our government, like the former government and all governments in the world, is not well prepared for the implementation of microeconomic policies. Therefore, I am always attempting to find quick and all-encompassing solutions." [passage omitted]

During his meeting with the metalworking industrialists, Cavallo emphasized that, after the Mexican crisis, the economic program proved its ability to cope with the departure of foreign capital without devaluing our currency, without relapsing into inflation, and with a moderate decline in industrial activities and unemployment. He underscored that this achievement has been understood and appreciated by the foreign investors contacted during his recent international tour. [passage omitted]

Buenos Aires Senatorial Candidates Hold TV Debate

PY0610015995 Buenos Aires TELAM in Spanish 0111 GMT 5 Oct 95

[FBIS Translated Text] Buenos Aires, 4 Oct (TELAM) — The three candidates running for a seat in the Senate, representing the three major political associations in the Buenos Aires electoral district, engaged in a debate on television last night. Just one day and a few hours remain before campaigns must legally end prior to the 8 December election.

Justicialist Party [PJ] candidate Erman Gonzalez, Frepaso [Front for a Country in Solidarity] candidate Graciela Fernandez Meijide, and Radical [Radical Civic Union, UCR] candidate Jorge Vanossi discussed various issues and presented proposals during the program "Two Voices" that is broadcast by the cable television station "All News" (TN).

Gonzalez opened the debate. He summarized the "three-point work plan" that he will push for if he wins, stressing that he will look for "clarity with ethics, economic efficiency, and social equity."

Vanossi recalled his background as a legislator. He said he held a seat at the Chamber of Deputies for 10 years and stressed "the need to control power to ensure honest government performance."

Fernandez Meijide proposed "changes in policies to bring the government closer to the people," adding that those who vote for Frepaso "are voting for a background and we can walk out into the street and listen to the people because we are not corrupt."

The debate turned harsh when candidates discussed the issue of corruption.

Erman Gonzalez said Carlos Menem's administration "ended institutionalized corruption," but the UCR candidate answered "there is corruption and there is fraud, because controls are nonexistent." Fernandez Meijide, in turn, said the issue "is not an opposition invention."

Erman Gonzalez said: "The control we are betting on is the one that seeks spending efficiency," adding that "we must still take steps to end corruption and our proposal to pursue that goal includes public officials as well as entrepreneurs."

The debate gradually became heated and reached a climax when Vanossi said Frepaso is "a gathering of minor movements," and stressed that "if people want efficient control they should vote for the UCR."

The Frepaso deputy answered that "Frepaso was born when the UCR stopped being an opposition," adding that "the decision to include the third senator when amending the Constitution was the political price paid to the UCR for signing the Olivos pact [the UCR agreement with the PJ to amend the Constitution]."

Vanossi resorted to his work as legislator in the last part of the television debate. He recalled that journalists referred to him as "the live—in deputy," adding that he presented more than 500 projects during the time he served in Congress.

Fernandez Meijide aimed her criticism directly at the government. She said: "It hurts me when people ask me to give them jobs because I cannot give people jobs. The problem must be solved by those who promised 350,000 new jobs."

Gonzalez concluded by stressing that he was considered "the government kidney" and mentioned his experience as economy, health, and defense minister and his intention to support "the transformation process started by President Carlos Menem" from the Senate.

Former 'Painted Faces' Seek Asylum in Uruguay

PY0410185095 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0045 GMT 3 Oct 95

[FBIS Translated Excerpt] Buenos Aires, 2 Oct (NA) — After failing to appear at a court hearing in Buenos Aires, a group of 18 former Argentine Coast Guard officers and NCO's from the "Albatros" group, who participated in the "painted faces" military uprising of 3 December 1990, sought "political and territorial asylum" in Uruguay this weekend.

This information was confirmed to NOTICIAS ARGENTINAS by Vice Foreign Minister Fernando Petrella, after being repeatedly mentioned in court circles.

Petrella indicated that the government has already initiated negotiations with Uruguayan authorities on the rejection of this asylum request filed by the "painted faces."

Petrella pointed out: "We have already contacted the Uruguayan Government on the rejection of this asylum request."

The request filed by the "painted faces," who are staying at a hotel in Montevideo, is now being reviewed by Uruguayan authorities who already have indicated that it will be difficult to approve the asylum request because a state of law prevails in Argentina. [passage omitted]

Former River Police Members Arrested in Uruguay

PY0610003795 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1510 GMT 5 Oct 95

[FBIS Translated Excerpt] Buenos Aires, 5 Oct (NA) — Argentine Ambassador to Uruguay Hernan Patino Meyer confirmed this morning that 15 of the 18 former Argentine River Police "Albatros" agents, who are fugitives from justice and who sought refuge in Uruguay were arrested today in Montevideo by members of INTERPOL.

The diplomat indicated that the operation was carried out "without any trouble," and he did not reject the possibility that the other three will be arrested within the next few hours.

In remarks to a radio station that he made from Uruguay, Patino Meyer indicated that the arrests followed a request by INTERPOL Argentina to INTERPOL Uruguay.

He added: "The chief of INTERPOL Uruguay told me the operation was carried normally and that none of the 15 offered resistance."

The former "Albatros" agents were arrested and lodged in Montevideo's main prison, where they will be visited this afternoon by Argentine diplomats, who will verify the state they are in.

The arrested "Albatros" agents, who identities have not been supplied, will be questioned this afternoon by a Uruguayan judge, who must implement the appropriate measures for this type of arrest.

Regarding those still at large, Patino Meyer said that "one is a priest with the surname of Jardin, another's surname is Dipp," and that he did not recall the third person. [passage omitted]

Here is a list of the former "Albatros" agents who requested political asylum: Victor Omar Ayala, Oscar Antonio Balmaceda, Hugo Ezequiel Correa, Luis Orlando Chao, Juan Jose Dipp, Domingo Santiago Doce, Ernesto Fabian Ferrero, Fabian Galeano, Father Luis Moises Jardin, Osvaldo Francisco Jimenez, Alfredo Antonio Luquez, Juan Navarro, Carlos Alberto Rodriguez, Claudio Marcelo Rodriguez, Raul Sagastizabal, Alicia Dora Chiesa de Sagastizabal, Roberto Santillan, and Bernardo Oscar Villavicencio.

Editorial Raises Doubts About Merit of UK Oil Accord

PY0510015795 Buenos Aires CLARIN in Spanish 1 Oct 95 p 18

[Editorial: "Oil Agreement and Sovereignty"]

[FBIS Translated Text] The agreement on the prospecting for and exploitation of gas and oil in Malvinas Islands' waters initiates a new phase in negotiations between Argentina and the United Kingdom which may, eventually, bear fruit from an economic viewpoint, but which can hardly be interpreted as real progress in Argentina's endeavors to regain sovereignty over the South Atlantic islands.

Both Argentina and Great Britain have, on this occasion, displayed pragmatism and realism — our country by explicitly accepting the United Kingdom's dominion over the islands, and Great Britain by acknowledging that unless it obtained Argentina's approval, oil exploitation in the region would be plagued with uncertainties. Both parties made concessions to each other in the hope of obtaining something in return, particularly a pecuniary advantage.

Moreover, the Argentine Government deems that the accord with the United Kingdom will enable it to improve its bargaining position regarding its claim to sovereignty over the Malvinas Islands and that it will contribute to neutralizing the opposition voiced by the representatives from the islands to a rapprochement between Argentina and the United Kingdom.

This seems highly unlikely. The Menem administration's policy vis-a-vis the United Kingdom was successful in enhancing bilateral relations, as evinced by the agreement on hydrocarbons and the fact that the United Kingdom accepted Argentina as a party to the negotiations. This notwithstanding, one can hardly expect that an economic accord will be instrumental in making the occupants of the Malvinas Islands shift from their unequivocal position regarding sovereignty over those islands. Some days ago, the United Kingdom once again asserted that it is not prepared to discuss the issue of sovereignty, now or in the future.

Besides, the impact of the accord on the behavior of the islanders might be completely the opposite of what one would expect, as the tapping of hydrocarbons in the area will increase their economic and defense-related self-sufficiency and give force to their aspirations to independence.

Last but not least, in light of the fact that the accord includes such significant issues as sovereignty over the South Atlantic islands and the possible exploitation of vast energy resources; the executive branch ought to have requested Congress' cooperation in negotiations. Congressional participation in the decision-making process concerning central issues is a sine qua non for the good functioning of a republican government, something which, on this occasion, was once again ignored.

Brazil

Cardoso Views Agricultural Hardships

PY0410153695 Sao Paulo GAZETA MERCANTIL in Portuguese 13 Sep 95 Special Crops Supplement pp 1, 6

[Report on interview with President Fernando Henrique Cardoso by Claudia Safatle and Ivanir Jose Bortot in Brasilia; date not given]

[FBIS Translated Text] President Fernando Henrique Cardoso said: "It will be very nice to govern after me." In an interview with this newspaper, which lasted a little more than an hour, the president of the Republic made it very clear that he is aware of the problems facing the agricultural sector. In his interview for this special crops supplement, the president said he is aware of the 20 to 25 percent loss facing producers which results from a 10 percent drop in the volume of the 1995/1996 crop. Cardoso believes that during his period in office profound structural changes will be made in the area.

"I will redesign Brazil during these four years," he promised. The president personally feels the financial problems resulting from last year's crop. He owns, together with Communications Minister Sergio Motta, a farm in Buritis, Sao Paulo [as published]. He planted this year 300 hectares of corn and soybean. The result was a 60,000 reals [R] loss, although he did not borrow money from the banks. Cardoso said: "Even without the cost of borrowing money, production costs were higher than the price obtained from selling the crop."

The president believes Brazilian agriculture must undergo "a modernizing process" in view of the current stable economy. The structural problems that were hidden by the high inflation rate are now entirely visible.

Cardoso said: "We haven't had an agricultural policy for a long time. Our policy became restricted to granting credit to the rural area, and this is not really an agricultural policy. Neither the agriculture minister, nor any other minister for that matter, has any possibility of meeting the producers' demands. Their needs cannot be granted by the agriculture minister. It is now up to the finance minister, to the Bank of Brazil, and to the Central Bank to meet these demands. Producers want a suitable exchange rate, want to export, and want reasonable interest rates and financing terms."

The president added: "There is no agricultural policy, and the country has never been divided into agricultural zones. In some areas producers continue to plant crops that are no longer competitive in that region."

The Central Bank previously had a huge amount of resources resulting from the high inflation rate, which was caused by the floating [preceding word in English] exchange market. On one hand, the Central Bank no longer has this margin of profit and, on the other hand, it is undergoing a difficult reorganization process. The president said: "These circumstances have been revealed by the stabilization process." Additionally, this year's super crop, plus a reasonable corn crop in Sao Paulo, helped to reduce prices of agricultural products. Cardoso pointed out: "The government cannot absorb all these difficulties. The National Treasury does not have enough resources."

The president added: "Serra (Planning Minister Jose Serra) uses a true saying: 'The green anchor.' With corn that cheap, chicken became extremely cheap and with cheap chicken there is abundant protein. And all this affects the price of beef."

Therefore, "what is good for the consumer is good for the stabilization of the currency. This, however, ends up by creating problems for the farmers" who also have to face "the interests issue and the Reference Interest Rate issue, which had already been making things very difficult for them."

Past problems added to interest rates which began to increase in March, and the policy to restrict consumption that was implemented at the same time "made the sector loose 20 to 25 percent of its income." He added: "It is a hard and painful process, which is partially related to the stabilization process and partially related to other structural factors."

Here is the diagnosis. Cardoso said: "Throughout these months, the government has been trying to reduce these difficulties." The president added: "There is no way we can compensate for the 20 percent of the area's loss of income all at once. It takes time. The government must create conditions for farmers to plant and to have access to a longer-term horizon." The government has already adopted measures to solve the problem of former liabilities and to help in future crops. One such measure was to adopt a 16-percent interest rate, which is deemed "daring because if inflation surpasses 16 percent in the year, it will become a negative rate."

Cardoso said: "We are helping the cooperatives by disbursing R700 million reals among them. The Bank of Brazil provided R100 million, but the private banks do not lend this sort of money. They prefer to return it to the Central Bank. The cooperatives protested that the money does reach them. This happened because the banks did not want to run the risk and preferred to make the compulsory deposits (the required deposit with the Central Bank)."

The president of the Republic agrees with the proposal of Bank of Brazil President Paulo Cesar Ximenes that resources resulting from the compulsory deposits of private banks should be invested in agriculture. He said: "I agree with that and I have already told him so. This must be done. The Central Bank must transfer resources."

Cardoso also commented on other steps already taken, saying they will produce positive results: "We established the CPR (Rural Producer Certificate) when I was finance minister although the rural bloc at Congress then offered a lot of resistance to the idea. It took two years to become a reality. What for? To borrow money on the international market through Resolution 63. To make this easier, we canceled the Financial Operations Tax. We created a good special loan for small farmers. They can now borrow up to R30,000 and with better payment terms. We created a sort of credit card for the farmer to pay off only what he spends. Farmers can now purchase supplies and equipment on credit instead of only receiving loans to cover production costs."

Many farmers have credit lines available at the Bank of Brazil but cannot get new loans because they are insolvent. He said: "I ordered the government team to study a system to swap the debt for bonds as a way to resolve the insolvency problem. This has happened in the United States more than once. I wanted to use this mechanism when Persio Arida was still at the Central Bank but the treasury said the problem was not easy to resolve. The Bank of Brazil cannot absorb this loss either."

The idea of swapping the debt, if it proves feasible, will be implemented in the short term as a way to transfer the farmers' debts with the Bank of Brazil to the National Treasury, which would reschedule them over longer terms and issue certificates to pay back the Bank of Brazil.

Cardoso added: "I believe we are on the right path toward a new mechanism. For the first time we have met claims of the National Confederation of Farm Workers, which gathers the smallest farmers. We have used all the instruments at our disposal to alleviate the crisis. We must now resolve the insolvency problem, and it requires an immediate decision."

The government estimates that there will be a drop in the planted area and reduced productivity in the next crop. The president does not expect serious effects from the inflation viewpoint, because there are enough grain reserves to supply the consumer market. In addition, sale of the government reserves will relieve the fiscal area because the cost burden on the National Treasury will be less. "This, however, is not good. We would rather people planted more," Cardoso said.

He said the market will regulate commodities [preceding word in English]. He added: "In soybean production we are competitive and are moving forward. I believe the problem can be faced through CPRs and private area financing. Coffee has a stabilization fund. Coffee prices are quite high due to the policy of holding stocks and waiting for good prices." Cardoso said: "The real problem is related to corn, which is not an export product; rice, which is sold domestically; and beans. These crops are usually produced by small and medium farmers who depend on credit, and we are now granting them credit. We must, however, make sure that we are providing them with guidance through planning."

From now on, the push will be for quality. The agriculture minister's role will be to guide farmers, to control diseases, to improve the quality of seeds and the quality of the crops, and to divide the agricultural area into zones. Cardoso said: "The ministry has struck an accord with the National Institute of Space Research so we currently have very good weather forecasting system. We can also conduct a more planned analysis of the soil, as well as improve the research area. This is why Embrapa (Brazilian Agriculture and Livestock Research Enterprise) is so important."

We must compete fully on the international market. He said: "We cannot sell corn cheap abroad and have expensive corn here." The president believes the Patents Bill is important because "Embrapa must register its patents. This is fundamental."

Another aspect he emphasized is the need to transfer part of the agricultural credit to private banks. He said: "We have recently authorized the establishment of the cooperative bank. This is a way of transferring agricultural credit to the private area."

Another step to be taken is the fiscal reform. Cardoso said: "How can we help exports of agricultural products? By reducing taxes." He believes the fiscal reform will enable consumers to pay some 20 percent less for food. Cardoso said: "The Goods and Services Movement Tax does not depend on us, it depends on the state governments. We propose, however, to reduce taxes on agricultural supplies, capital goods, and exports. Measures have already been adopted. In their anxiety, however, the people don't realize that. The government is aware of the seriousness of the problem and is adopting the required measures."

The Brazilian Social Democracy Party administration does not plan to establish generalized subsidies. "The government no longer has funds to finance generalized subsidies in the agricultural area, unless Congress includes this in the budget and clearly defines: For this or that reason, the country has decided to subsidize its agriculture."

Cardoso said, however, that his administration is discussing the establishment of a fund to keep interest rates stable, adding: "The National Treasury is currently responsible for stabilization, but no one says how much the interest rates should be. This allows pressure. The budget must clearly state the following: Do you want to subsidize agriculture? If so, we will have to reduce allotments to schools, hospitals, and payrolls. It must be defined where the subsidy money will come from. This is why stabilization helps the economy so much. It helps people to have an idea of how finite resources are. Inflation hid all that. [no closing quotation marks as published]

Another aspect of the problem is the agrarian reform. The president said: "It is not so much a problem of agricultural production. It is a social issue. It refers to what to do with landless people and with settlements." The agrarian reform policy cannot continue to be implemented the way it is now. The president said: "We cannot implement the agrarian reform and transform the settled farmer into a public employee. But this is what has been happening. First we establish a settlement and then we have to inject resources into it. This is a false solution. I believe we must reduce the cost of implementing the agrarian reform. When people talk about an agrarian reform, they want something very complete. The government is supposed to ensure conditions that are not realistic and, as a result, the project comes out extremely expensive. The government has to give the settled people a house, equipment, credit, and build schools and roads. The government has estimated that the cost of a settlement totals nearly R35,000 or R40,000 per family. This is too high."

Cardoso wants to settle people with the cooperation of the counties where the land is located. He said: "Landless people have been occupying farms. This must cease. If a farm is occupied, the government cannot expropriate it." If this were the case, occupations would stimulate expropriations. He added: "I have promised to settle all those who were living in encampments, but they are few. Their number does not even total 20,000. A country like Brazil cannot fail to settle 20,000 people. What we cannot allow, however, is that by settling these 20,000 we will prompt another 20,000 to show up."

The president said the government is studying several types of settlements to be made with the cooperation of state and county governments. He said: "Most of the pressure is exerted on the federal government. People think the president merely issues a DA (agrarian debt certificate), they think it doesn't cost anything to settle people, but it does. It increases the federal debt."

Cardoso believes that to prevent today's small farmer from becoming tomorrow's landless farmer the government must ensure access to technology and credit. This is no trivial issue because no bank wants to grant high-risk credit. The president said: "I do not know if our banking institutions have the required conditions to finance small farmers. The president gives the orders, but he does not have the required mechanisms. We have the Bank of Brazil, but I do not know if it is accustomed to work with the poorest farmers."

This is one of the reasons behind the idea of creating a People's Bank. He admitted: "This bank would be a way of creating mechanisms to grant credit to the poorest farmers. Cooperatives could also help. Agriculture is a central issue. The poorer the area, the more the government will have to help."

In the president's opinion, an example of a settlement project that has worked out is the one at Petrolina, Pernambuco State. He said: "I have been there and it is not only an irrigation project. It has a settlement and a technical school. An oasis has been built there." Cardoso suggested that in the Northeast "we must implement those integrated projects in five or six areas. It is not enough to create irrigation projects. He commented: "Apoti, Ceara State, already has irrigation, but they are planting beans, which are not profitable."

Cardoso promised: "Irrigation is one of my administration's priorities. We are obtaining R1 billion from international organizations to use in the irrigation program. I want the program infrastructure entirely operational in four years."

The central idea, which is included in the Five-Year Plan that has been recently sent to Congress, is to establish eight development corridors. He said: "Physical corridors with means of transportation." The president explained that he plans to reduce the cost of freight and the price of food through this program. Cardoso believes "we can reduce the export cost by 20 percent." He mentioned some of the public works the government plans to implement through inter-modal transportation. He said: "We can channel the center-west region production to Rondonia and Acre, use inter-modal transportation, and take the exports to the Pacific Ocean. The same thing can be done in the south of the country."

There will be eight corridors connecting Brazil through waterways, which are cheaper, and we will revitalize the railroads. Cardoso said: "We only use the highway network. We must change that."

The president plans to invest in this umbrella of structural measures in order to give a new stimulus to agriculture, within the framework of a stabilized economy and the resumption of development through a sustained system. He said: "It is useless to think about subsidies. We must consider the issue in more depth. We must reduce taxes and improve highways. The government must invest in infrastructure, rural electrification, rural telephone systems; that is the government function."

To promote all these changes, Cardoso points out that he needs money and time. He said: "This is why I say: I will redesign Brazil during these four years. It will be very nice to govern after me." There is a lot to be done, he said, but the government's direct assistance will only be given to small farmers.

Although the government expects smaller crops next year, it is not planning to import anything to supply the domestic market: "We are not planning to import anything, except wheat, as usual." Farmers have asked the government to be more careful when importing grains, and Cardoso plans to meet this request. He said: "I believe their request is correct. It is not possible to resolve problems by importing because this will further reduce farmers' profits."

Regarding the future, the president thinks the farmers have no reasons for complaint. The interest on loans to finance crops has been established at 16 percent and, as he pointed out, this may become a negative figure depending on how inflation behaves next year. The serious problems are those that have accumulated in the past, but he plans to resolve them by swapping debts for bonds.

Cardoso said: "We will separate the wheat from the chaff. We will finance the debts of those who will work and pay it back, not those of chronic debtors. These people easily obtained money at the banks and used the resources in other activities, but this is over," adding: "Even if we get to swap the debt for bonds, the system will not be generalized."

Although Fernando Henrique Cardoso owns a farm in Minas Gerais, he does not consider himself a farmer. He rarely puts on boots and a hat "unless he is going to ride a horse." Commenting on his agricultural activities, he says "I only see losses."

He tries to keep away from banks. He said: "We have never had our crops financed. We only once took out a loan when we paid $10,000 for a rice business and then realized that it did not work. Even without financing, production costs were higher than the price we got for selling the product. I had to cover the costs from what I saved from my salary as a senator and had set aside every month to invest in the farm."

This year, he is changing his line of investment. He will not plant corn, only soybean and some subsistence products. He plans to invest more in cattle. He said: "We are improving the quality of our cattle. We made an agreement with a Sao Paulo friend and will raise Aberdeen Angus and Nelore bulls. One loses less with cattle and has less trouble raising them."

We asked him: What made you, an intellectual, an urban person, decide to work in the agricultural area? The president answered by telling us how he bought land near Brasilia:

He said: "I was traveling to Brasilia and met a former student from Chile who had a farm in the center-west region. I visited his farm and purchased land in the region, but it did not work out. I came back on another occasion to visit the farm of another friend, which was in the Buritis area. They were very sad because I had not been able to buy land there. One day they called me to say: 'Look, there is a farm being sold here.' I went to look at it. It was almost dark. The land was very cheap. At that time land was worth practically nothing. There was no road. Access was very bad. One hectare cost less than a good pair of shoes. That's how it happened. We want to raise cattle there."

As I did not have money to invest in everyday expenses, I asked Sergio (Sergio Motta, who is communications minister and one of the president's friends) if he would like to be my partner. I purchased the land. Then Sergio joined in the business before the contract was drafted. Sergio is a good entrepreneur and I like to see things grow. For many years I used to go to the farm, but it was hard to get there. I had to use a very small old car, but it was very pleasant to see the region, which had nothing, grow. Our employee lived in a mud house and the first house we built there was for him. We registered the employees in the National Social Security Institute. Slowly, we began to do things. Now, one of Sergio's nephews and my daughter Luciana go there more frequently. A friend from Sao Paulo give us genetics guidelines to improve the herd.

Minister Malan Justifies Economic Policy

PY0510182895 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 1 Oct 95 p B9

[Interview with Finance Minister Pedro Malan by Suely Caldas on 27 September; place not given]

[FBIS Translated Text] [Caldas] What is your reply to the criticism by workers and entrepreneurs of interest rates, recession, and unemployment?

[Malan] It is not through management of the macroeconomic policy that the stabilization program will be consolidated. It would be delusive to think it will. Progress will come with the administrative, economic, and social security reforms, with the reduction of labor allocations, with the adoption of the Income Tax on Corporations (IRPJ), with privatization, with the Social Emergency Fund, and with public spending control. All that together. That is why I believe it is wrong to focus the discussion on interest rates, as if the reduction of rates could automatically resolve the problem — leaving the other measures for long-term implementation. It is urgent to consider all those problems. The government has done its share. The point is that the matter does not depend only on the executive branch, but on Congress, on the judicial branch, on state governments, on the public and on the media in general. As [Brazilian humorist, writer] Millor Fernandes said: "Public opinion is everything that is published." The media are also responsible for it.

[Caldas] And what is your answer to the criticism?

[Malan] Today, 27 September, we held a very important meeting with union and entrepreneurial leaders, and with several mayors of the Sao Paulo industrial belt.

At this meeting we detected great support for the Real, strong commitment to the continuation of the program — because no one wants high inflation rates again — with everyone recognizing the importance of the reforms. We strongly emphasize this, if nothing else because labor, entrepreneurial, and political leaders play a crucial role for all this. As for interest rates, unemployment, recession, and pressure on the finance minister, I would like to say the following: The belt-tightening we implemented at the beginning of the year has eased over the past two months. The Selic [Special Service for Surveillance and Liquidation] nominal, effective interest rate reached a peak of 4.25 percent in March.

[Caldas] Yet in March the inflation rate stood at about 2 percent. This rate was reached after the devaluation of the exchange rate. The inflation rate is now very close to zero. The point is that the economy is harmed if interest remains high over a long period.

[Malan] Did you see what we did today? As I said, the rate stood at 4.25 percent for two or three months. Less than two months ago, it stood at 3.83 percent. At the end of August, it stood at 3.33 percent. Today we reduced it to 3.13 percent. It is the lowest Selic rate since implementation of the Real. This downward trend will continue. People are objecting to the intensity and the speed of the reduction. In the final analysis, that is the point. There are people who say "no, it is too slow, it should be much faster, it should be immediate."

[Caldas] Within the government, behind the scenes, the Planning Ministry has advocated that type of action...

[Malan] That policy is designed by the Finance Ministry and the Central Bank, and there is full affinity between us. The matter is under the president, the finance minister, and the Central Bank. The course of action is the government policy. I believe internal discussion is legitimate, natural, and healthy, but the course of action is a government policy. I am against discussing government matters in the media. I would like to say that the acceleration of the interest rate reduction heavily relies on the speed of the structural reforms I mentioned.

[Caldas] Does that mean that if the reforms do not move forward, interest rates will remain high and credit will remain tight?

[Malan] It is not necessary to have everything resolved or that Congress should approve every single detail. In a market economy, people focus on the future and wonder: Are things moving forward? Yes, they are, and decisions are being made everyday. Yet people are affected by the sensation that things are stagnant or that they are moving along another course. It is essential to perceive that things are moving along the right course, because in this case, there is political support. The meetings with governors, for example, are very important. They unanimously agree on the need for the administrative reform, and this is clear indication that there is political support to move forward. Does this mean that everything has been resolved? No. But it would be a problem if all governors were radically against all that. I am confident that the country is changing, that it is perceiving that the effort to curb inflation calls for the reforms.

[Caldas] The problem is that the inflation rate is being controlled only through the monetary and exchange policies...

[Malan] I know there is such an opinion, but it is wrong. The low inflation rate is not based only on that. We are doing many things in the fiscal area. Last year we registered a primary surplus of almost 4 percent of the GDP, and a small operational surplus. In 1995, we will have a reasonable situation. It will be a bit worse than in 1994 for several reasons. In 1996, however, it will be better.

[Caldas] Yet this year there is a feeling that the government has lost control over its expenses.

[Malan] That type of thing occurs in states. Within the federal government, political decisions have had implications for the future. Government expenses are running out of control primarily in the states, because state expenses are not thoroughly covered by the media, by the press, for reasons that I have not yet discovered. It must be easier for journalists to come to Brasilia. Most state problems deal with current expenses growing much faster than revenues. The problem deals with current expenses, which are not affected by interest rates and which are used mainly for payroll expenses.

[Caldas] Does that mean governors overdid salary increases?

[Malan] The adjustments were granted at the end of 1994, based on the power that the judicial and legislative branches have for establishing their own salaries. The public has no control over that, because the press is more concerned about the federal government. The salaries earned by judicial and legislative branch personnel and by state attorney office personnel grew by 100 or 150 percent. Such an adjustment has little significance if the inflation rate is very high. Yet if inflation is low, adjustments give rise to expenses that states cannot pay. Therefore, the conclusion by some circles that the problem lies in the interest rate is false. That is the point. That is what we must resolve.

[Caldas] Aren't salaries the main problem? High interest rates have increased state debts...

[Malan] If we compare our estimates at the beginning of the year with our current estimates we can see that salaries and current expenses account for two thirds of the problem of state budgets, while debts account for only one third. Concerning debts, there are two types of state debts: The contracted debt, which was renegotiated in 1993 for periods of 20 or 30 years. The states have committed 11 percent of their revenues to repay these debts. A fixed interest rate — averaging 6.5 percent — is being paid on them. That is not the problem. Of the all states, only 9 or 10 are using 11 percent of their revenues for debt repayment. The others have no problems at all.

[Caldas] Does the problem then lie in the domestic debt?

[Malan] That problem is affecting just a few states. In this case, the states suffered the effects of the interest rates that you mentioned. The debt, however, is not being paid but rescheduled. Consequently, there is no actual state revenue spending. Part of the debt was transferred to the federal government. The most common problem concerning this debt concerns ARO (Budget Allocation Advance) operations, which are made with private banks at monthly rates of 5 to 9 percent, and which are primarily used for making payroll expenses. Consequently, the idea that the problem of states centers around the debt and around interest rates misses the gist of the problem. Several states commit 100 percent of their revenues for payroll payment, while others go even beyond that.

[Caldas] For example?

[Malan] No, I will not mention specific people or states. Yet it is usual for states to commit 80, 90, or 100 percent of their revenues. Many states do it. This means that in those states — even while ignoring it — the actual debt grows 3 percent monthly, and it is adjusted every month. Therefore, we are looking at the wrong factor if we blame every evil on interest rates. If no solution is found for payroll payments, nothing will be resolved. The solution calls for administrative and social security reforms, privatization, etc. You should also notice that in 1994, state revenues grew by considerable rates — from 40 to 50 percent — in real terms.

[Caldas] Yet interest rates have also harmed private enterprises and produced dismissals.

[Malan] Only naive people would imagine that no effort, adaptation, or adjustment will be needed to go from an inflation rate of 5,000 percent — which was registered 12 months before implementation of the Real — to 16 percent — the inflation rate of this year until September, and the lowest in 25 years. Adjustments occur anyhow, even without stabilization. Unionists today presented data recognizing that much of the unemployment problem is caused by the automation of enterprises. Because of the automation process, factories that needed 26 workers to produce 600 pieces (the example that a unionist mentioned) today need 4 to produce 1,500 pieces. The automation process is occurring all over the world. It affects employment. Unemployment runs at more than 20 percent in Spain and at more than 10 percent in France. In addition to automation, there is also the problem of the opening of the economy, which prompted an industrial restructuring in some sectors, and which has affected employment. This is happening all over the world, and Brazil is no exception.

[Caldas] We are approaching the end of the year. Christmas lies ahead, as does the Christmas bonus and a consumption outbreak. What will the government do to prevent price increases?

[Malan] Those are the reasons why we are being cautious.

[Caldas] Is it then possible to conclude that the gradual easing of the monetary policy will be slow until the end of the year?

[Malan] The rate will be the one that seems appropriate to us. I cannot announce the course to be followed by interest rates, by the exchange rate, or by the easing of credit restrictions. This will heavily rely on an analysis of circumstances that we will make on an almost daily basis. We are permanently discussing and shaping our judgment.

[Caldas] Yet within the government there is no unanimous opinion on this judgment.

[Malan] I don't know. I can guarantee that there is full affinity between the Finance Ministry and the Central Bank, which are responsible for policy implementation.

[Caldas] With the Planning Ministry, however, there are differences...

[Malan] The planning minister and I have full affinity, for example, on program foundations. That is the important thing. The rest deals with operational details.

[Caldas] There is currently a movement to crucify and blame the finance minister and the Central Bank, holding them responsible for all the evils affecting Brazil. This is obviously just an interpretation...

[Malan] A simplistic, naive interpretation which is out of keeping with real facts.

[Caldas] What is the personal impact of such interpretation? You, who work 14 hours a day...

[Malan] Longer than that. I usually leave this place at midnight and then return at eight in the morning.

[Caldas] And you even have to bear the burden of criticism, even from ministers who are your fellow party members.

[Malan] Look, I see it as something quite natural. I believe they are occupational hazards. In a transition process that seeks to consolidate a stabilization effort, the finance minister and the Central Bank president are exposed to this type of thing.

[Caldas] And what about the process to replace you?

[Malan] I do not believe there is an ongoing process to replace me. To me the important thing is the president's support, which I have never lacked and which — let me say — I do not lack and I am sure I will never lack. The rest is nonsense.

[Caldas] Negotiations over Banespa [Sao Paulo State Bank] have taken a radical turn, reaching an impasse last week. How will it be resolved?

[Malan] We are making progress. The proposal by Governor Mario Covas is extremely constructive and positive, and it has elements that can lead to the resolution of the problem. Negotiations continue. Like in the case of the foreign debt and of the talks involving other banks and other states, I believe it serves no purpose to conduct negotiations through newspapers' political pages. I refuse to do it.

[Caldas] Do you expect the Banespa affair to have the happy end of privatization?

[Malan] I am confident we will find a thoroughly satisfactory solution. I will not refer to privatization, because this word has become a sort of symbol. It causes people to mobilize. I'd rather look at the issue from a technical viewpoint, instead of beginning with general principles.

[Caldas] Have you chosen a temporary target leading to sustained price stability?

[Malan] I hope that at the end of this administration, the stabilization effort will be at quite an advanced stage. I will make just one comment. In your ESTADAO column (an article written by the interviewer and published in the Sunday issue) you said we are obsessed by stability. That is inaccurate, it is not true. We are indeed concerned about inflation, yet not as our only objective or as something that is separated from real facts. Price stability increases the efficiency of the economic system and promotes social justice, because it eliminates the inflationary tax burdening the poorer. Yet price stability is not our only objective. Our objective is to have a dropping, low inflation rate with sustained growth, employment, and investment. There are countries with very low inflation rates but with unacceptable social indexes. We also have unacceptable social indicators. However, the purpose of stability and sustained growth is also to promote efficient and realistic public social policies, which are neither populist nor demagogic. There are countries with low inflation rates and sustained growth, whose social indicators are better than those in Brazil, but whose political regimes we would not like for our country. Therefore, our major challenge is to give compatibility to the four processes, which must be simultaneous: Controlling inflation, laying the groundwork for sustained development, adopting realistic government policies to reduce social imbalances, and consolidating democratic institutions. That is the great challenge. We always think on those things when we work. Consequently, in no way do I agree that we are concerned only about stability.

Foreign Minister Marks World Habitat Day

PY0410143495 Sao Paulo AGENCIA ESTADO in Portuguese 2209 GMT 2 Oct 95

[FBIS Translated Text] Curitiba, 2 Oct (AE) — At Rua da Cidadania do Carmo on 1 October, Foreign Minister Luiz Felipe Lampreia addressed the opening session of World Habitat Day, on behalf of the Brazilian Government. Lampreia said it was not by chance that Curitiba was chosen to host the event, because "from the viewpoint of urban development and urban settlement, Curitiba is — par excellence — Brazil's presentation card."

In the opinion of the minister, "Curitiba is the symbol of modern Brazil, which is organizing itself to find creative solutions for its urban problems." "We are witnessing the strong commitment that Parana people in general and Curitiba people in particular have to the exercising of citizens' duties," Lampreia noted.

National Committee

Lampreia remarked that the importance of reflecting on the human habitat is measured by the confirmation that by 2000, 50 percent of the world's population will be concentrated in large urban centers. The debate is even more important for developing countries like Brazil, with considerable urban concentration.

The minister reported that a national committee, created through a presidential decree and made up of representatives of the federal government, states, counties, and society, will prepare for Brazilian participation in the Habitat II Conference, scheduled to be held in Istanbul (Turkey), in 1996.

General Budget Allocations for 1996 Viewed

PY0410224795 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 2 Sep 95 p A4

[Article by Mara Bergamaschi]

[FBIS Translated Text] Brasilia — The federal government will have only 8.3 billion reals [R] for investment in 1996. This figure is included in the Union's General Budget Bill for 1996, which has yet to be voted on by Congress. It accounts for 5.75 percent of the estimated R139 billion federal government expenses.

With empty coffers in his second year of office, President Fernando Henrique Cardoso will find it difficult to meet his campaign investment target of R100 billion in Brazil over four years, including private investment and foreign financial operations.

Of that R8.3 billion — an estimate by the Senate Data Processing System (Prodasen) at the request of Senator Eduardo Suplicy (PT-SP) [Workers Party-Sao Paulo) — R4.4 billion will be shared among the states for all types of public services. The Prodasen report notes that 36.42 percent of this amount will go to the Southeastern region and 31.33 percent to the northeastern region. Sao Paulo will receive the largest amount, R659 million, followed by Minas Gerais, with R476 million, Rio de Janeiro (R394 million), Ceara (R274 million), and Bahia (R265 million), all of which are governed by Planalto Palace allies.

The remaining R3.8 billion will go to national projects. For example, R16 million of the R20 million budget of Valec — a Transport Ministry enterprise —is allocated to the north-south railroad. In 1996, each kilometer of track will cost R1 million.

In addition to investments in transportation and in social areas like education, expensive programs will be implemented in the military sector in 1996. Despite being financed by foreign resources worth $1.4 billion, repayment of which will not begin in 1996, the budget allocates R250 million to the Amazon Region Surveillance System (Sivam).

The federal government entrusted this investment to the Strategic Affairs Secretariat (SAE), and not to the Aeronautics Ministry, which sponsored the sophisticated radar network. Yet the Aeronautics Ministry will not discontinue another expensive project: The production of the AMX plane. The ministry will spend R24 million of its funds, plus R7.6 million from the Aeronautical Fund, on the plane.

The Navy Ministry will use R330 million to build a corvette and submarines, and to modernize frigates. Another R47 million is reserved for "special projects and prototypes," as part of what are considered national security matters. The Navy also plans to spend R45 million of the Naval Fund on "submarines and amphibious boats."

"Secret action" allocations are also registered in the budget. Next year they will amount to R1.1 million. The Army Ministry, the military portfolio that will make the lowest investment in military projects, plans to spend R400,000 on "secret actions," while the Navy, the SAE, and Itamaraty will spend, respectively, R100,000, R442,000 and R180,000 on such actions. The presidency will also use R30,000 of public funds for secret actions.

Government Pays $3 Million Fee on Sivam Project Loan

PY0410142295 Sao Paulo AGENCIA ESTADO in Portuguese 2159 GMT 3 Oct 95

[By Mara Bergamaschi]

[FBIS Translated Text] Brasilia, 3 Oct (AE) — A decision by Senator Gilberto Miranda (Brazilian Democratic Movement Party- Amazonas), to extend until 1996 the period for studying the new request for an international loan for the Sivam [Amazon Region Surveillance System] project, will compel the government to pay a $3 million commitment fee to the U.S. Eximbank in December. The delay might even compel the government to renegotiate the commercial contract that was signed in May with Raytheon — a U.S. company that will provide the technology for the project.

Despite the fact that the Eximbank's $1.4 billion loan — made available to Brazil since September 1994 — has not yet even been touched, the Banco do Brasil, which is responsible for the operation, had to disburse $3 million in June because the money was not used. This might push to $6 million the loss caused by the delay of implementation of the sophisticated radar system designed for the Amazon region.

The Strategic Affairs Secretariat (SAE) has stated that the condition to pay a fee to the bank, while the money made available to Brazil remains unused, is "usual" in international financial operations. Since December 1994, when the Senate approved the first authorization to contract a foreign loan, the Eximbank started collecting the commitment clause fee, which is due every six months. Despite the fact that the contract sets no deadline for collecting the commitment fee, the government is afraid of losing the loan.

The executive branch could not manage to keep the Sivam timetable up-to-date because, since January, the project became the target of successive charges of irregularities. After Deputy Arlindo Chinaglia (Workers Party-Sao Paulo) revealed in March that ESCA [Automation and Control Systems Engineering] — a Brazilian company that the Aeronautics Ministry chose to manage the Sivam project — swindled the Social Security System, the government had to remake the entire operation. ESCA, which went bankrupt two months after the charges were pressed, was removed from the process.

This fact compelled Planalto Palace to submit to the Senate a new request for authorization of an international loan. This request, which resulted in payment of the first six-month fee to Eximbank, was necessary because, in the first contract, ESCA appeared as beneficiary of part of the loan. The government expected the Senate to rapidly approve this second request for authorization, which was identical to the first one, except for the name of ESCA.

"I am not concerned about such prejudice, because the government hastily signed what it should not, like this advanced payment of interest," Senator Miranda said today. Miranda is determined to implement his timetable of 20 public hearings on the subject. "If the executive branch made a mistake, let it pay for it."

Possible Liquidation of Economico Bank Noted

PY0410154995 Rio de Janeiro JORNAL DO BRASIL in Portuguese 29 Sep 95 p 15

[Article by Oswaldo Buarim Junior]

[FBIS Translated Text] Brasilia — At a dinner on 27 September, Central Bank (BC) President Gustavo Loyola told PSDB [Brazilian Social Democracy Party] senators that he can no longer recover the funds that the BC loaned to Banespa [Sao Paulo State Bank] and to Economico Bank, both of which are being managed by a BC trustee.

The senators said that in the opinion of Loyola, the chances are slim that a private group will buy the Economico Bank. Consequently, the bank is more than likely to be liquidated.

If liquidated, the Economico Bank will close without paying the 3 billion reals it owes to the BC, after months of use of rediscounts — a credit line with which the BC helps the banks that, at the end of the day — cannot meet their cash needs. To a senator who asked him for the reason for the late intervention of the BC — considering that the Economico Bank had been "limping along" since January — Loyola replied that the decision was postponed several times, hoping for a market solution through the sale of shares. "They said they would be careful to avoid the reiteration of the event in the future, but what has happened is practically irreparable," said Senator Ludio Coelho (PSDB-RN) [Brazilian Social Democracy Party-Rio Grande do Norte], who hosted the meeting.

Loyola and BC International Affairs Director Gustavo Franco, Economic Policy Director Francisco Lopes, Monetary Policy Department Director Alkimar Moura, and nine of the 11 PSDB senators on 27 September had dinner at Coelho's house. The BC directors emphasized that privatization would be better and that it might be the only solution for Banespa.

The BC directors said that the financial improvement work done by the trustee in charge of managing Banespa is aimed at privatization. Senator Geraldo Mello (PSDB-RN) said that Loyola and Moura took advantage of the situation to demand the privatization of all sate financial institutions.

Investment for Frigate Antiaircraft Systems Announced

PY0410190695 Sao Paulo GAZETA MERCANTIL in Portuguese 19 Sep 95 p A8

[Report by Cesar Felicio]

[FBIS Translated Text] The Navy Ministry will invest 280 million reals over the next few months to fit the six Navy frigates with antiaircraft systems. The Senate last week authorized the procurement of funds abroad to purchase Swedish-made Bofors surface-to-air missiles. Bofors was selected via an international tender.

The system, known as "Trinity," will expand the operational capacity of the frigates, which so far had no antiaircraft equipment and had to rely on the "Minas Gerais" aircraft carrier.

The funds will also be used to buy "Bill" antitank missiles for the Marine Corps. The Navy Ministry did not report the number of missiles that will be purchased.

The Navy, which was planning an ambitious investment plan for 1995, has managed to fulfill only its international purchase plans, for which foreign financing had been provided under the previous government. The projects relying on budget funds had to be delayed.

Consequently, the "Timbira" and "Tapajos" submarines, which are being built at the Navy Arsenal in Rio de Janeiro, will not be commissioned in December. No dates have been set for completion of their construction because Navy funds are currently unavailable.

Pension Funds Participate in Privatization Auctions

PY0510110095 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 17 Sep 95 p A12

[FBIS Translated Text] Minas Gerais Iron and Steel Mills, Inc. — Most of the shares of the Minas Gerais steel mill have been purchased by a group led by Bozzano/Simonsen Bank and comprised of companies that distribute steel products, as well as banks. They purchased 33.7 percent of the shares. The Rio Doce Valley Company has 15 percent of the shares and the Previ, the Bank of Brazil pension fund, purchased 14.94 percent.

Railroad Equipment, Inc. — Most of the shares were purchased by Refer, Private Welfare Group of the Federal Railroad System.

Petroflex Company — The PIC consortium — which is comprised of the following groups: Suzano (40 percent of the consortium's capital), Unipar (20 percent), Norquisa (20 percent), and Copene/Coperbo (19.5 percent) — continued to hold 51.02 percent of the enterprise's shares. Fifteen other pension funds purchased 26.03 percent. Most of that, 14.9 percent, remained in the hands of Petros, pension fund of the Brazilian Petroleum Corporation employees.

Itabira Special Steel Company, Acesita — The main shareholders are: Previ (14.99 percent), Acesita employees (12 percent), Sistel, fund of the Brazilian Telecommunications, Inc. employees (9.16 percent), Safra Group (8.69 percent), Real Bank (5.55 percent), Commercial Bank, Inc. (4.20 percent), Petros (2.23 percent), Brasinox (1.4 percent), Credit Comercial de France (1.17 percent), and Bozzano/Simonsen Bank (1.13 percent). The remaining capital is spread or distributed among shareholders who have smaller percentages.

Brazilian Aeronautics Company — The enterprise has been purchased by a consortium comprised of Bozzano/Simonsen Bank, Previ, and Sistel.

Espirito Santo Power Plants, Inc. — A consortium comprised of the banks Pactual, Nacional, Bozzano/Simonsen, Icatu/Opportunity, and Citibank, Centrus Foundation (pension fund of the Central Bank clerks), and by the Argentine group Perez Companc. The 10 largest pension funds in the country also participated in the consortium with smaller percentages of shares.

Northeastern Petrochemical Company — Seven pension funds — Previ, Petros, Sistel, Prevhab (employees of the former National Housing Bank), Serpros (employees of the Federal Data Processing Service), Previcaixa (employees of the former Minas Caixa), and Fachesf (employees of the Sao Francisco Hydroelectric Company) — have purchased 18 percent of the company's capital.

Government To Open Electricity Area to Foreign Investment

PY0510113595 Rio de Janeiro O GLOBO in Portuguese 30 Sep 95 p 26

[Article by Marco Antonio Moreira]

[FBIS Translated Text] Brasilia — Mines and Energy Minister Raimundo Brito reported on 29 September that in the privatization of the electricity area there will be no restrictions regarding the origin of the capital, which can be either Brazilian or foreign. As to the telecommunications area, the government plans to leave it in the hands of Brazilian enterpreneurs, and is only interested in preventing the state monopoly from being replaced by private monopolies.

There will be no problem if a foreign group wants to exploit the services of a large plant or of a series of energy-producing plants. We will not allow, however, a situation wherein this same group also exploits electricity distribution in the area, Minister Brito said. This also applies to Brazilian companies, the minister added, during an interview granted to O GLOBO.

Brito asserted that, in contrast to other areas of the economy, foreign investment in the electricity area will not mean that the Union is selling its electricity area assets. The assets will only be leased for 30 years.

The temporary managers will make investment commitments that will have to be rigorously complied with. Otherwise, the government can break the leasing contracts.

Daily Analyzes Critical Patents Bill Issues

PY0410225795 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 29 Sep 95 p A3

[Editorial from the "Notes and Information" Page: "Recognized Patents"]

[FBIS Translated Text] The approval of the Patents Bill by the Senate Economic Affairs Committee (CAE) is more than a major decision to develop Brazilian technology and improve the Brazilian position on the international market. It will also sidestep U.S. sanctions. Retaliation, which is under permanent consideration and which is to be reconsidered in October, has been mentioned in threats that have not always been veiled. Punishment procedures like the so-called Special 301 were leveled against China in 1995 and against Brazil in 1993, giving rise to conversations and to the conclusion of investigations. It should be noted that the United States remains our main commercial partner (although bilateral trade no longer registers a deficit for the United States but a surplus, because U.S. exports to Brazil surpass U.S. imports from Brazil, a situation that makes Brazil more interesting for U.S. exporters).

For a long time now, Brazilian-U.S. relations have not been that good. One week ago, at a meeting in Washington with Foreign Minister Luiz Felipe Lampreia, this situation was outlined by U.S. Trade Representative Mickey Kantor. During the meeting, emphasis was placed on a briefing that Science and Technology Minister Israel Vargas delivered at the CAE.

Among the important topics that are permanent agenda items of diplomatic and commercial conversations, is the so-called "pipeline," [preceding word in English], that is, the retroactive implementation of patents, in which U.S. laboratories are interested. Under the "pipeline" concept, Brazil will recognize a patent issued in another country on a product that is not yet on the market, with the only exception of products listed in the Industrial Property Code.

Approved by 19 votes to 5, the bill — which has long been under study in Congress — deals with crucial items like compulsory licenses, parallel imports, and biotechnology. On that final item, the government was defeated because the proposal by rapporteur Fernando Bezerra (PMDB-RN) [Brazilian Diplomatic Movement Party-Rio Grande do Norte] stated that live beings may not be patented, except for microorganisms. With observations by Ney Suassuna (PMDB) (PB) [Paraiba] and Eduardo Matarazzo Suplicy (PT-SP) [Workers Party-Sao Paulo], the bill finally established that "live beings or parts of live beings may not be patented, not even microorganisms, if they are not linked with any specific industrial process."

This restricts the patenting of transformed microorganisms, contrary to the terms of the Trips [Trade-Related Intellectual Property Rights] agreement of the WTO, which was approved by Congress and ratified by the executive branch. The Trips agreement demands compliance with minimum standards to protect "Intellectual Property Rights (IPRs)." The Trips agreement deals with "pipeline" rules, which must be clearly formulated because of their importance.

The U.S. contention is based on the fact that intellectual property rights are a critical item of U.S. comparative advantages, giving more competitiveness to the United States. Industries that most heavily rely on intellectual property rights grow more rapidly than the average sectors of the economy. One of the clearest examples is the pharmaceutical industry, which sustains heavy losses through piracy. The Trips agreement was concluded in 1994 within the Uruguay Round of Talks, which led to the transformation of the old GATT into the WTO.

Patents carry enormous weight in the pharmaceutical industry. In a market that in the early 1990's moved $200 billion annually — 33 percent of which was accounted for by the United States, with the EU and Japan accounting for 27 and 18 percent, respectively — there is a strong trend toward concentration. However, no enterprise controlled more than 3 percent of the world market. A single product, however, can account for 50 percent of sales of one single laboratory. This is clear indication of the importance of patents. This is just proof of the interest that the bill has awakened. Within two weeks, the bill will be submitted to a plenary session vote at the Senate.

Commentator Views Cardoso's Formula for Success

PY0610010495 Rio de Janeiro O GLOBO in Portuguese 25 Sep 95 p 4

[Commentary entitled "How the President Likes it," by Franklin Martins in Brasilia]

[FBIS Translated Text] In less than two months, the main parties of the ruling coalition have discovered that during Fernando Henrique Cardoso's administration one must always remember that an abundance always precedes a shortage. The PFL [Liberal Front Party] was the first to stumble on abundance. It believed in the stories it told about it own effectiveness, deemed itself too powerful, and thought it could give orders within the government. The PFL was very shocked when the president of the Republic and Senator Antonio Carlos Magalhaes clashed during the Economico Bank episode. The party retired to its corner, saddened, to lick its wounds and wait for better times.

Last week, it was the turn of the PSDB [Brazilian Social Democracy Party]. Seeing the PFL humbled, the PSDB shock troops thought the time had come to crush the bothersome allied party under the wheels of a tractor, to exert some pressure on Finance Minister Pedro Malan, and to begin to control the government. The PSDB was also disappointed. From Europe, the president warned that Minister Malan is firm in his position and that those planning to oust Malan were wasting their time. The PSDB had no other choice than to turn down the burner.

The mistake of the PFL in underestimating the president's reaction to its plans of giving orders in the government is somewhat understandable. After all, the friendship between the PFL and Fernando Henrique Cardoso is very new. Therefore, the PFL is not supposed to know what goes on in Cardoso's soul. It is amazing, however, that some members of the PSDB, who have been friends with Cardoso for a long time, were surprised at the president's reaction to their behind-the-scene manipulations leading to the appointment of superministers in the government.

After all, superministers only appear in the shadow of weak presidents. Evidently, this is not Cardoso's case. He is a man as intelligent as he is vain. He is also extremely jealous of the importance of the position he occupies. His advisers know that despite exuding congeniality and charm, Cardoso centralizes power in his hands. To understand this, it is enough to look at the large number of roles he performs all at once.

Who is the political negotiator when the government does not have a minister in charge of conducting political negotiations? Who commands the economic area, as long as it remains in the hands of Malan and Serra? Who is responsible for communicating with society? Who, indeed, performs the role of foreign minister in an era of presidential diplomacy? The answer is Fernando Henrique Cardoso. The social area is the only crucial area of this administration that is not directly under Cardoso's control. The one who gives orders in that area is supposedly Mrs. Ruth Cardoso.

If as a president, Fernando Henrique Cardoso centralizes power in his hands, as a senator he was a loner. He became accustomed to running in his own track. He never gathered politicians around him or headed factions. In the last elections, for example, Sao Paulo did not elect any federal or state "Cardoso- supporting" deputy. No councilman or small-town mayor was elected due to Cardoso's influence while he was a senator. Cardoso was a lone wolf while he was in the PMDB [Brazilian Democratic Movement Party], as he was while in the PSDB.

Normally, lone wolves do not go very far in politics. Sooner or later they are defeated by the party machines. In Cardoso's case, however, this has not occurred — partly due to his good star, partly due to his extreme skill to sail among the groups he happened to stumble on along the way. In the eternal disputes between Planning Minister Jose Serra and Sao Paulo Governor Mario Covas for control over the PSDB in Sao Paulo, Cardoso did not take sides. He only joined the dispute to separate the contenders. In the endless clashes between the Sao Paulo and Ceara members of the PSDB, he knew how to avoid getting involved. He looked like a Rio de Janeiro or Minas Gerais politician.

He thus built his own style. To most of the politicians, his success is linked to the growth of the faction to which he belongs. Therefore, the smaller the number of groups, the stronger Cardoso's group will be. Cardoso, who has never belonged to any faction before, has learned to think in a different way: They will become weaker and it will be easier to deal with them. This style took him to Planalto Palace. Why should he abandon it now?

Elected by an alliance between the PSDB and the PFL, the president took the PMDB to the government. Now, it is opening the government doors to the PPB [Brazilian Progressive Party]. These four parties have equal strength in Congress. They tend to fight among themselves for more space. This is the best of all worlds for Cardoso. The only strongman in the government; that's him.

Article Views Ministers' Prestige, Stability

PY0410210195 Rio de Janeiro O GLOBO in Portuguese 25 Sep 95 p 4

[Article by Monica Gugliano]

[FBIS Translated Text] Brasilia — For a week now the ministries' esplanade has appeared empty. The heart attack suffered by Communications Minister Sergio Motta has pit-stopped the man who, after President Fernando Henrique Cardoso, has most power in the government. At a time when ministers —the strong and the weak, the dismissible and the stable — are fighting among themselves, encouraged by rumors that they themselves circulate and by rumors from Congress, the unanimous opinion is that the power of Sergio Motta, the tractor, has not deteriorated.

One PFL [Liberal Front Party] member said: "Big Sergio filled every corner of the ministry. I do not know how the government will do without him."

While Motta's prestige and power remain unchanged, those of the other ministers rise and fall like stock market indicators. Finance Minister Pedro Malan, the preferred minister for 10 PFL members, has low prestige among other parties, and even among his own party members. President Fernando Henrique Cardoso saved him from the hurricane that sought to dismiss him. In Congress, however, there are insinuations that he should leave the government and stop criticizing the monetary policy.

Lawmakers also claim Malan lacks the ability to communicate. They believe that the government has thus failed to benefit from its main achievement, which is economic stability.

Says a PFL member: "Malan broke the cycle of communicators who held the ministerial post over the past few years. First came Fernando Henrique Cardoso, then Rubens Ricupero, and then Ciro Gomes. They all capitalized on the achievements in the economic area. Malan does not open his mouth."

Lawmakers also feel the prestige of Industry and Commerce Minister Dorothea Werneck, Social Security Minister Reinhold Stephanes, Agriculture Minister Jose Eduardo Andrade Vieira, and Civil Household Chief Clovis Carvalho is falling.

The PMDB [Brazilian Democratic Movement Party] and the PPB [Brazilian People's Party] have their eyes on the ministries of Agriculture and Industry and Commerce. These parties expect a reshuffle at the end of the year. Justice Minister Nelson Jobim, Transport Minister Odacir Klein, and Education Minister Paulo Renato remain unchanged in the ministerial ranking. At Planalto Palace, the prestige of Presidential Secretary General Eduardo Jorge is rising.

Says one PFL leader: "Few people realize Eduardo Jorge is Cardoso's shadow. He knows everything and takes care of every operational aspect at Planalto Palace. He can tell the president's mood at a glance. This is good because he always advises us."

The prestige of cardiologist Adib Jatene, the health minister, is also growing. Jatene grew after the government decided to support his proposal to recreate the Provisional Tax on Financial Operations (IPMF), now called the Financial Movement Contribution (CMF), as a method to collect funds to improve the health sector.

Says one lawmaker: "Jatene is more than a health minister, and the president has great respect for him. Serra is in the same boat. Cardoso everyday tells jokes about Serra, but always hears him out."

Roundup of Economic Reports

PY0510181895

[FBIS Editorial Report] The following is a compilation of reports on economic activities in Brazil monitored through 3 October.

1) Basic Leading Indicators

Gustavo Franco, director of the Central Bank External Area, has estimated that Brazilian international reserves will total $48 billion by the end of 1995. He said this figure will represent a $10 billion increase over the 1994 reserves. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 30 Sep 95 section 2 p 3)

The Sao Paulo State Trade Federation, FCESP, has reported that retail prices dropped by an average of 0.25 percent in September in Sao Paulo. According to FCESP, the prices of durable goods increased by 1.73 percent. Prices of household appliances increased by 2.87 percent, while the prices of furniture and decoration items dropped by 1.02 percent. Prices of semi-durable items also dropped by 4.34 percent. The sharpest price drop was that of garments with an 8.06 percent reduction; the prices of shoes dropped by 3.33 percent; while those of textiles increased by 6.44 percent. Pharmaceutical items were the only nondurable goods that had a price drop: 0.57 percent. Food prices increased by 0.41 percent. Prices of vehicles and auto parts increased by 2.47 percent; and construction materials, by 2.35 percent. Prices have increased by 9.45 percent thus far this year and by 28.47 percent since the implementation of the Real Plan. (Sao Paulo AGENCIA ESTADO in Portuguese 1340 GMT 2 Oct 95)

The Economic Movement Indicator, Imec, corresponding to the four-week period ending on 23 September reflects a 0.03 percent variation compared to the previous four-week period that ended on 16 September. This shows that the economy has entered a pace of stabilization and has overcome the declining process that started in mid-June. Imec coordinator Carlos Roberto Azzoni said: "Signs of reversal of the decline in economic activities have become more evident." Azzoni noted that after a 15-week decline, electricity consumption has increased again. He added that the demand for electricity increased by 0.16 percent this week and by 1.96 percent the previous week. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 29 Sep 95 p B1)

2) Financial Operations

Using its international reserves, Brazil today paid the equivalent to $410 million to the Paris Club. On 16 October, the Brazilian Government is also scheduled to disburse nearly $1.7 billion to cover the third payment of interest on its debt to private banks that had been renegotiated in April 1994. (Brasilia Voz do Brasil Network in Portuguese 2200 GMT 2 Oct 95)

The French group Infogrames Entertainment has decided to set up a subsidiary company in Rio de Janeiro through an investment totaling $1.5 million to distribute its CD-ROM products on the Brazilian market, which accounts for $100 million in CD-ROM transactions. Benoit Chaix, director general of Infogrames in Brazil, said that his company would also like to enter into partnerships with Brazilian companies in the areas of communications, culture, and leisure. (Sao Paulo AGENCIA ESTADO in Portuguese 1454 GMT 28 Sep 95)

On 2 September President Fernando Henrique Cardoso signed a decree creating the National Permanent Commission for the Defense of Consumers, which will establish rules for regulating relations between companies and consumers. Nelson Lins, director of the Justice Ministry Department for the Defense and Protection of Consumers, said: "The Commission will formulate and implement polices to defend consumers of both products and services." (Sao Paulo AGENCIA ESTADO in Portuguese 2101 GMT 2 Oct 95)

The Amazonas administration has started construction of a port in Itacoatiara, 120 km from Manaus, on the Amazon River. The new port, which will be used for exporting soybean grains, will cost R28 million, with R12 million being supplied by the state and R18 million by the Maggi group. The Amazonas State investment is equivalent to 26 percent of its monthly revenues. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 30 Sep 95 section 2 p 3)

The Sao Paulo State Secretariat for Science, Technology, and Economic Development has reported that confirmed industrial investments in Sao Paulo this year total $6.680 billion. Of this amount, $1.230 billion; that is, 18.4 percent will go to the ABC industrial region. Major investments will be made by Ford, Vokswagen, and Mercedes. Argentine aluminum company Fundemap will build a new factory, which will cost $20 million, in Taubate. Investments totaling $680 million will be made in Jacarei, another rising industrial center. The list of confirmed investments shows that the ABC region continues to attract investments, despite being a union stronghold. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 1 Oct 95 section 1 p 16)

Minas Gerais Governor Eduardo Azeredo ended a visit to Japan on 23 September. During his visit, he negotiated Japanese loans totaling $400 million to implement some of his main agricultural projects. Azeredo's main request was a $200 million loan to finance an agricultural development project in northwest Minas Gerais as part of the Pirapora-Unai railway project, which will be built by the Rio Doce Valley Company, CVRD, at an estimated total cost of $315 million. Other projects involve reforestation, steel and coal industries, and irrigation. (Sao Paulo GAZETA MERCANTIL in Portuguese 28 Sep 95 p b16)

Sylvio Coutinho, president of the National Iron and Steel Company (CSN), announced on 2 October that the CSN will invest $100 million in a new line of galvanized steel which will be marketed under the name of "galvanew." He said "galvanew" will be intended for the Brazilian auto industry as well as for the household appliance industry. He said these funds will not be part of the $1.1 billion investment plan the CSN will implement up until 1998. Coutinho announced that the CSN formed a partnership with the Peruvian Arequipa iron and steel company to participate in the privatization of the Peruvian Iron and Steel Enterprise, Siderperu. (Sao Paulo AGENCIA ESTADO in Portuguese 2353 GMT 2 Oct 95)

The Brazilian Association for the Development of Basic Indusutries, ABDIB, has reported that the progress made in the privatization process and the inflow of private capital is promoting the implementation of infrastructural projects in the area of electricity, oil, gas, petrochemistry, transport, and ports. According to ABDIB, there are 645 infrastructural projects to be implemented in the short, medium, and long term. The total value of these projects has been estimated at $90 billion. Short and medium-term projects that are either on the implementation stage or om the final stage of engineering studies total $46 billion. Projects that are in the implementation stage total $24.5 billion; while projects that are on the engineering development stage amount to $21.5 billion. Electricity projects account for approximately $15 billion. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 1 Oct 95 p B10)

3) Fiscal, Monetary Issues

Antonio Salazar, director of the Brazilian Economic Institute at the Getulio Vargas Foundation, has reported that banks have sustained a 50 percent reduction in their profits since the implementation of the Real Plan; that is, approximately $5 billion during the second half of 1994 alone. Salazar noted, however, that despite this reduction, the number of banks has increased from 296 in 1994 to 300 in 1995. Salazar added that "the phenomenon can be attributed to the fact that business deals have increased due to inflation having been stabilized." Salazar noted that the banking crisis occurred because "in light of the growing competition, banks started to offer higher interest rates to attract customers and also expanded their lending portfolio by imposing more lenient requirements on borrowers." (Sao Paulo AGENCIA ESTADO in Portuguese 2003 GMT 28 Sep 95)

The Brazilian Institute of Geography and Statistics, IBGE, has reported that the deficit in current accounts of federal, state, and municipal admistrations in 1994 was equivalent to 9.3 percent of the Gross Domestic Product, GDP. The federal administration's deficit stood at R44.1 billion, which was 11.3 percent higher than that of 1993. Although expenses by the above federal, state, and municipal administrations dropped by 5.9 percent, their revenues also dropped by 29.7 percent. (Sao Paulo AGENCIA ESTADO in Portuguese 2309 GMT 27 Sep 95)

4) Privatization

On 29 September the Brazilian administration adopted measures designed to promote the participation of foreign creditors in the privatization process. The Central Bank, BC, today lifted the 25 percent discount imposed on seven types of foreign debt papers when these are used as means of payment for privatized state-owned companies. The 25 percent discount will, however, continue to be applied to par bonds for the purpose of converting them into shares. Jose Linaldo Gomes de Aguiar, chief of the BC Foreign Debt Department, Dediv, said that although no bond issued as part of the debt renegotiation concluded in April 1994 has been used in privatization auctions, the fact that they would be accepted only at 75 percent of their face value has been a major deterrent. At present, bonds that could be used in the privatization program account for $52.3 billion of the Brazilian foreign debt. Thus far, only $18 billion of this amount consisted of bonds that could be used at face value in a privatization auction. As a result of the new BC measure, those bonds that could be accepted at face value will now account for $41.8 billion of the foreign debt. (Sao Paulo AGENCIA ESTADO in Portuguese 2314 GMT 29 Sep 95)

The federal administration yesterday obtained 95.52 million reals, from the sale of 33.33 percent of voting shares and of 10.68 percent of preferential stocks of the Camacari Petrochemical Company, CPC. The auction was conducted in two sessions at the Rio de Janeiro Stock Exchange. In the first session, the Brazilian Petrochemical Enterprise — EPB — of the Odebrecht group, which already owned 33.33 percent of the CPC shares, purchased the voting shares at the minimum price of R70.56 million. The preferential shares were sold for a total of R24.97 million to unidentified buyers. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 30 Sep 95 section 1 p 5)

Elena Landau, director for privatization of the National Bank for Economic and Social Development (BNDES), today stated that the National Privatization Council may, if it deems it appropriate, accept foreign debt bonds as means of payment for state-owned companies that may be privatized in the future. Landau was thus trying to clear up the confusion provoked by her earlier remarks that the administration would accept only cash as payment for privatized state-owned companies. She said the administration prefers to receive cash as payment, but that it is incumbent upon the National Privatization Council — which is chaired by Planning Minister Jose Serra — to accept payment in bonds. She said: "It is up to the Council to decide how much in cash and how much in bonds should be raised in each auction." (Sao Paulo AGENCIA ESTADO in Portuguese 2303 GMT 2 Oct 95)

5) Trade Issues

The Industry, Commerce, and Tourism Ministry (MICT) reported on 3 October that Brazilian exports totaled $4.167 billion in September. Government sources have reported that the September trade surplus will stand at $400 million. Official trade balance figures will be released by 20 September. MICT Minister Werneck said that "because of the drop in domestic demand, exporters have increased their sales abroad." She added that the sale of manufactured products increased from 52.9 percent in August to 56.5 percent in September. She cited the following as the main export items: steel sheets, orange juice, auto parts, refined sugar, and shoes. (Sao Paulo AGENCIA ESTADO in Portuguese 2108 GMT 3 Oct 95)

6) Commercial Visits, Overtures

Tadayoshi Noda, vice president of Sumitomo Industries Ltd., one of the largest Japanese industrial complexes, said his company is studying the possiblity of forming a partnership with Brazilian steel companies. Noda yesterday gave a lecture at the 29th annual conference of the Iron and Steel International Institute in Rio de Janeiro. He praised the Brazilian privatization process, but noted that his company is not interested in participating in it at this time. He added that his company "does not yet have a firm position" regarding the privatization of the Rio Doce Valley Company. (Sao Paulo AGENCIA ESTADO in Portuguese 1937 GMT 3 Oct 95)

The third meeting of the Brazil-Taiwan Business Council was held at the Copacabana Hotel in Rio de Janeiro on 2 October. The meeting, sponsored by the National Industrial Confederation, was primarily designed to attract a portion of the total of $70 billion Taiwan has available for investments. Seng Long-Sun, representative of the Pou Chen International Group, said his company could open a shoe factory in Brazil, possibly in a northeastern state. Another major topic discussed at the meeting was the bilateral trade balance. Brazil continues to have a trade surplus, but its exports to Taiwan dropped by 35 percent in 1994, compared to 1993; while its imports increased by 85 percent during the same period. Brazil's trade surplus dropped from $339.3 million in 1993 to $6.2 million. CNI executive director regretted the antidumping surcharges imposed by Taiwan on steel exports made by the Mendes Junior and Belgo-Mineira companies. Brazilian exports to Taiwan dropped from $587.6 million in 1993 to $410.6 million in 1994, primarily due to the surcharges on steel exports. (Sao Paulo AGENCIA ESTADO in Portuguese 2334 GMT 2 Oct 95)

Text of Telecommunications Decrees Published

Decree 223

95SM0514A Sao Paulo GAZETA MERCANTIL in Portuguese 12 Sep 95 pp A8-A9

[FBIS Translated Text] The decree that regulates the awards of concessions or licenses for commercial operation of telecommunications services provides that selection of companies to offer cellular mobile phone service will be made on the basis of the highest price. "Suggestions" for the wording of the final version of the decree are to be submitted by 24 September. Following is the full text of the decree.

Decree No. 223 Of 1 September 1995

The Minister Of State Of Communications, by virtue of the authority conferred upon him by Article 87, sole paragraph, subsection II of the Constitution, and

Whereas the Ministry of Communications believes it is opportune to establish a new set of rules applicable to the process of awarding concessions and licenses for the operation of telecommunications services;

Whereas said process must contribute to the establishment of free competition in the operation of telecommunications services;

Whereas only the adoption of guidelines, principles and criteria that are absolutely clear and objective and are fully disclosed in advance to all interested parties can cause the act of awarding concessions and licenses to occur in a context of absolute legitimacy, impartiality, and good faith;

Whereas it is desirable that the public participate in the processes by which the provision of telecommunications services is regulated, hereby Resolves:

Article 1.

To publish for public comment the proposed regulations for Awarding Concessions or Licenses to Operate Telecommunications Services on a Commercial Basis, pursuant to the text attached to this decree.

Article 2.

Comments and suggestions must be justified and substantiated on the basis of legal and regulatory provisions, and especially on the principles of administrative law.

Article 3.

Comments that entail full or partial modification of any of the provisions of the proposal, or suggestions for inclusion of new provisions, must be accompanied by the respective wording.

Article 4.

Interested parties have 20 days from the publication of this decree in which to submit their statements, which should be sent to the following address: Communications Secretariat, Esplanade of the Ministries, Block "R" Annex - 3rd floor, Room 301 I, Brasilia, Federal District 70044-900.

Article 5.

This decree enters into force on the date of its publication.

Sergio Motta, Minister of Communications.

Regulations: For Awarding Concessions Or Licenses To Operate Telecommunications Services On A Commercial Basis

Section I - Principles

Article 1.

The purpose of these regulations is to establish the rules that will govern the process of awarding concessions or licenses to operate telecommunications services on a commercial basis.

Article 2.

The awards process that is the subject of these regulations must consider the following as being the objectives of telecommunications services:

I. To contribute to the economic and social development of this country;

II. To further the dissemination of culture, information, and knowledge;

III. To contribute to the strengthening of democracy and integration of society;

IV. To stimulate and foster conditions for the exercise of citizenship;

V. To foster productivity gains in the various sectors of socioeconomic activity; and

VI. To contribute to increased competitiveness in economic activities.

Article 3.

Awards of rights to operate telecommunications services on a commercial basis shall be preceded by competitive bidding, and these regulations, the pertinent rules, and the invitation to tender shall be observed.

Article 4.

The bidding procedure is intended to ensure that the participants compete on an equal footing, and the principles of legality, morality, impersonality, and publicity must be observed.

Article 5.

In conducting a bidding procedure, the Ministry of Communications shall, when applicable to the service and provided they are made explicit in the invitation, adopt provisions that will facilitate the following:

I. Diversity of control of the entities operating the services;

II. Increased competition in the operation of the services;

III. Optimization of the use of the frequency spectrum;

IV. Diversity of sources of information and opinion;

V. Programming and information services of a local and regional character; and

VI. Technological modernization.

Section II - The Services

Article 6.

The provisions of these regulations apply to the telecommunications services listed below and stipulated in Law No. 4,117/62, when operated on a commercial basis, and in Law No. 8,977/95.

I. Restricted public Service; II. Limited Service; III. Radio Broadcasting Service; IV. Special Service; and V. Cable TV Service.

Sole Paragraph. A service is operated on a commercial basis when the awardee is remunerated via prices or tariffs paid by users, or payments from advertisers or sponsors, or by any other forms of compensatory benefits that are directly or indirectly connected to the operation or use of the service by someone else.

Article 7.

The Ministry of Communications may, for reasons of convenience and the public interest, stipulate conditions that restrict the number of concessions or licenses granted to a single entity and its affiliates to operate a given telecommunications service.

Article 8.

Every telecommunications services concessionaire or licensee must facilitate conditions for necessary interconnection of different services networks, pursuant to pertinent regulations.

Article 9.

The Ministry of Communications shall establish, for each licensed service, the conditions and deadlines for the actual start of operations and the use of the media allocated to them, under penalty of cancellation of unused media.

Chapter II - The Awards Process

Article 10.

The process of awarding concessions or licenses to operate telecommunications services on a commercial basis shall be conducted in three distinct phases, namely:

I. Prior Consultation of the Public; II. The Bid Proceedings; III. Formalization of the Award.

Article 11.

The purpose of prior public consultation is to obtain statements from the general public and from those interested in operating the service, in order to assist in the evaluation of the public interest and the suitability of the technical/commercial characteristics of the service.

Article 12.

The bidding proceedings are a set of actions to be taken to receive and analyze proposals and select the most suitable. It consists of the following phases:

I. Advertising; II. Qualification; III. Classification; and IV. Selection.

Paragraph 1. The advertising phase consists of publication of the announcement of the invitation to tender, including an indication of the place where interested persons may examine and obtain the full text of the invitation.

Paragraph 2. The qualification phase consists of the evaluation of the juridical, technical, economic, financial, and fiscal status of the bidders, on the basis of the documentation submitted.

Paragraph 3. The classification phase consists of the analysis of the merits of the proposals by the entities that qualified in the preceding phase, according to criteria pre-established in the invitation that reflect telecommunications legislation, these regulations, and supplementary rules and regulations.

Paragraph 4. The selection phase consists in the determination, from among the qualified entities, of the one to whom a concession or license will be granted to operate the service that is the object of the invitation.

Article 13.

For purposes of the classification and selection phases, the telecommunications services will be arranged in different groups, as established in Chapter III.

Article 14.

Formalization of an award of a concession or license to operate the telecommunications services that is the subject of these regulations is the final step in the process, and the one in which the corresponding administrative acts will be issued.

Chapter III - Grouping the Services

Section I - Criteria for Grouping the Services

Article 15.

Telecommunications services operated on a commercial basis shall be grouped in such a way as to permit, during the bidding proceedings, the adoption of the classification and selection criteria that would best suit the public interest, the provisions of Articles 41 and 42 of these regulations being observed.

Article 16.

The services should be grouped on the basis of the following criteria:

I. Technological complexity of the systems employed; II. Population of the service area; III. Infrastructure resources and technical/administrative support services related to the operation of the service.

Article 17.

On the basis of the criteria mentioned in Article 16, the following groups are hereby adopted for classification of the services:

I. Group "A" includes services that can be implanted by recourse to systems of a low degree of technological complexity, or that are rendered in sparsely populated areas, or whose operation requires few infrastructure resources and little technical/administrative support.

II. Group "B" includes services whose implantation requires the use of systems featuring average technological complexity, or that are rendered in areas of average population, or whose operation requires a medium degree of resources in terms of infrastructure and technical/administrative organization.

III. Group "C" includes services whose implantation requires the use of systems featuring advanced technology or that are rendered in heavily populated areas, whose operation requires significant resources in terms of infrastructure and technical/administrative organization.

Article 18.

The Ministry of Communications shall decide how to group each service, using criteria to be adopted to aid in this decision.

Section II - Services Groups

Article 19.

The basic groups were adopted in light of the services now regulated in Brazil, but may be modified by act of the Ministry of Communications:

I - Restricted public service:

(a) Restricted public land mobile radiocommunication/ cellular mobile, Group C. (b) Restricted public aeronautical radiocommunication, Group C.

II - Limited services:

- Specialized mobile: (1) Service areas having a population of less than 500,000, Group A (2) Service areas having a population of at least 500,000 but less than one million, Group B (3) Service areas having a population of 1 million or more, Group C

III - Radio broadcasting services:

(a) Audio radio broadcasting: (1) Broadcasting on the 14 to 25 meter wave band [*ondas tropicais*], Group A (2) Short wave, Group A (3) Medium wave: 3.1) Local and regional, Group A 3.2) Nationwide, Group B (4) FM broadcasting: 4.1) Classes C and B (B1 and B2), Group A 4.2) Class A (A1, A2, A3 and A4), Group B 4.3) Class E (E1, E2 and E3), group C

(b) Radio broadcasting of sounds and images: (1) Class A and B, Group B (2) Class E, Group C.

IV - Special Services

(a) TV retransmission, Group A

(b) Multichannel multipoint signal distribution (MMDS): (1) Service areas having a population of less than 300,000, Group A (2) Service areas having a population of at least 300,000 but less than 700,000, Group B (3) Service areas having a population of 700,000 or more, Group C

(c) Paging: (1) Service areas having a population of less than 300,000, Group A (2) Service areas having a population of at least 300,000 but less than 600,000, Group B (3) Service areas having a population of 600,000 or more, Group C

(d) Radio paging access: (1) Service areas having a population of less than 300,000, Group A (2) Service areas having a population of at least 300,000 but less than 600,000, Group B (3) Service areas having a population of 600,000 or more, Group C

V - Cable TV Service

(1) Service areas having a population of less than 300,000, Group A (2) Service areas having a population of at least 300,000 but less than 700,000, Group B (3) Service areas having a population of 700,000 or more, Group C

Sole Paragraph - The procedures stipulated in these regulations do not apply to telecommunications services, grouped as provided in this article, whose use is restricted to the interested party itself or when, although intended for use by third parties, do not satisfy the definition of "operation on a commercial basis" pursuant to the sole paragraph of Article 6 of these regulations.

Article 20.

New services, or services not included under Article 16 of these regulations, shall be classified in their respective groups in the corresponding rules, the criteria of Article 16 being observed.

Article 21.

No change shall be permitted in the features of the concession or license that would result in a change in classification of the awarded service.

Chapter IV - Prior Public Consultation

Article 22.

The Ministry of Communications, acting upon request of the interested party or on its own initiative, shall initiate the process of awarding a concession or license for operation of telecommunications services on a commercial basis by publishing in the OFFICIAL GAZETTE a notice of prior public consultation concerning the characteristics of the proposed service.

Article 23.

The prior public consultation shall contain information that presents the general and specific characteristics of the service that is its object, as well as its technical characteristics, availability, references to pertinent regulations, and other information deemed appropriate and important by the Ministry of Communications.

Paragraph 1. The prior public consultation may include instructions to assist the interested parties to identify or characterize existing or potential competitive conditions.

Paragraph 2. In cases where the information necessary to characterize the conditions for operating the service on which bids are sought is considered to be readily available, the Ministry of Communications may dispense with the prior public consultation.

Article 24.

The Ministry of Communications, after having determined the public interest and identified the best way to serve it, shall proceed to open the bid proceedings by specifying the number of concessions or licenses to be awarded and the minimum fee to be paid for the right, as well as the conditions under which the service is to be operated.

Paragraph 1. The number of concessions or licenses to be awarded shall be decided, among other factors and as appropriate, on the basis of the following elements:

I - Technical possibility;

II - Diversification of the ownership control of companies operating the service;

III - The desirability of encouraging competition;

IV - Diversity of information sources; and

V - Economic potential of the market to be served.

Paragraph 2. The minimum fee to be paid for an award shall be evaluated, among other factors and as appropriate, on the basis of the following elements:

I - Availability of frequency bands;

II - Scope of operation;

III - The service area;

IV - Population of the service area;

V - Competitive conditions;

VI - Technical characteristics and limitations.

Chapter V - The Bid Proceedings

Section I - Preparation of the Invitation to Tender

Article 25.

The invitation to tender shall be drafted by the Ministry of Communications, and shall include the following elements and requisites necessary to formulation of the bids for operating the service that is the subject of the invitation, as well as other factors when and as appropriate:

I - The proposed service;

II - The number of concessions or licenses to be awarded;

III - The fee, or minimum fee, to be paid per concession or license, as the case may be;

IV - Technical characteristics of the service;

V - The service area;

VI - Conditions for operation of the service;

VII - Duration of the concession or license;

VIII - References to pertinent regulations;

IX - Date and place for submission of documentation and bids;

X - List of documents for assessment of legal qualification, technical capability, business/financial capability and reputation, and good standing with tax authorities; and

XI - Questions and criteria for qualification and selection of the bidders.

Paragraph 1. The invitation must show the deadlines and conditions for filing of appeals.

Paragraph 2. The Ministry of Communications may stipulate in the invitation the minimum fee to be paid for an award of a concession or license to operate Group C services that are to be supplied freely.

Section II - General Procedures

Article 26.

The bid proceedings shall be handled in observance of the following basic procedures, the procedural details and the provisions and deadlines stipulated in each invitation being considered:

I - Opening of the envelopes containing the documentation pertaining to bidder qualifications, and review thereof;

II - Return of sealed envelopes containing the bids to bidders who did not qualify, provided no appeal has been filed or after denial of such appeal;

III - Opening of the envelopes containing the bids submitted by qualified bidders, provided that the prescribed time period has elapsed without an appeal being filed, or that the right to file an appeal has been expressly waived, or that any appeals that may have been filed have been resolved;

IV - Examination and classification of the bids on the basis of the scoring method stipulated in advance in the invitation;

V - Selection of the bidders by application of the routine described in Section VII of this Chapter;

VI - Decision as to the award of the object of the bidding; and

VII - Ratification of the bid proceedings.

Article 27.

The Ministry of Communications may cancel the bid proceedings for reasons of public interest, and has an obligation to do so either at the instigation of others or on its own initiative, in cases of illegality.

Paragraph 1. Annulment of the bid proceedings on the grounds of illegality shall not generate an obligation to indemnify, except as provided in existing laws.

Paragraph 2. Annulment of the bid proceedings affects the acts resulting therefrom.

Paragraph 3. In the event the bid proceedings are annulled, adversarial proceedings and entitlement to full defense are assured.

Article 28.

The bidder may challenge the terms of the invitation by addressing the Ministry of Communications and pointing out the flaws or irregularities, provided they invalidate the bid proceedings.

Paragraph 1. A bidder who does not file his challenge on or before the second business day preceding the opening of the qualification envelopes shall lose the right to do so.

Paragraph 2. A timely challenge shall not prevent a bidder from participating in the bid proceedings until a decision is made on that challenge.

Section III - Conditions of Participation

Article 29.

Companies that satisfy the requirements and conditions stipulated in pertinent regulations may participate in the bid proceedings held to award the right to operate the telecommunications services that are the object of these regulations.

Article 30.

Except for cable TV services, for which provision is made in Law No. 8,9[illegible]95, companies in the following situations are prohibited from participating in bid proceedings to obtain concessions or licenses to operate the services that are the object of these regulations:

I - A company that is a member of a consortium may not participate as a member of more than one consortium;

II - A company may not participate both individually and as a member of a consortium in the same bid proceeding;

III - An affiliate of another participant in the bid proceeding may not participate;

IV - A company may not participate if it holds a concession or license for the service that is the object of the bid proceedings, in the same area; and

V - An affiliate of a company that holds a concession or license for the service that is the object of the bid proceedings, in the same area, may not participate.

Paragraph 1. A company shall be considered an affiliate of another for purposes of this article if:

(a) One holds at least 20 percent of the nonvoting stock of the other, or if at least 20 percent of the voting stock of the two is held, directly or indirectly, by successive holdings in companies by one person or company;

(b) They have a director or executive in common;

(c) There is a financial or commercial relationship that denotes the dependence of one on the other;

Paragraph 2. The Ministry of Communications may establish specific conditions, consistent with the respective rules for the services, prohibiting the participation of a company in bid proceedings because of the composition of its capital and the nature of the operation of the service.

Article 31.

When participation by consortia is permitted, the member companies must submit an affidavit in which they promise that, in the event they are awarded the object of the bid proceedings, they will form a company before the award takes effect. Companies joined in a consortium must also agree to:

I - Present a public or private document attesting to the formation of the consortium, signed by its members;

II - Indicate the member that will be responsible for the consortium, which shall be solely liable toward the Ministry of Communications without prejudice to the joint liability of the other consortium members;

III - Maintain the initial composition of the consortium until the conclusion of the bid proceedings;

IV - Insist that all consortium members honor the obligations assumed by the company responsible for the consortium.

Article 32.

The Ministry of Communications may include in an invitation to tender a requirement for a guarantee, to consist of one of the following modes, at the discretion of the bidder:

I - Pledge in cash or government bonds;

II - Fidelity insurance; or

III - Bank guarantee.

Sole Paragraph. The guarantee referred to in this article shall not exceed the minimum fee to be paid for the concession or license.

Section IV - Advertising

Article 33.

The bid proceedings shall begin with publication in the OFFICIAL GAZETTE of the announcement of invitation to tender.

Paragraph 1. The announcement shall contain an indication of the place and conditions under which interested parties may examine and obtain the full text of the invitation, as well as the date and time for submission of the qualifying documents and the bid, and all the information on the bid proceedings.

Paragraph 2. The interval between the publication date of the announcement of invitation to tender and the receipt of the bids may not be shorter than 30 days.

Paragraph 3. Any modification in the invitation requires the same publicity as was given the original text. The deadline initially stipulated shall be reopened except when the change would unquestionably not affect the formulation of the bids.

Section V - Bidder Qualification

Article 34.

The qualification phase shall consist of the ascertainment of the ability of the bidders to operate the service that is the object of the invitation.

Article 35.

It shall be required of the bidders, insofar as appropriate and according to the regulations for each service, that they submit the following documentation to corroborate their legal status, technical capability, business/financial capability and reputation, and good standing with tax authorities:

I - Documentation pertaining to legal status:

(a) Commercial registration, in the case of an individual company; and

(b) Acts of incorporation and amendments thereto, duly registered and filed at the appropriate government office and showing among the company's objectives or as its principal activity the rendering of telecommunications services as well as, in the case of a corporation, a copy of the minutes of the annual meeting that elected the directors and a list of shareholders showing the number, value, and type of shares held by each partner;

II - Documentation pertaining the technical capability:

(a) Registration or membership of the chief technical officer in the appropriate professional association, depending on the rules for each service;

(b) Identification of the members of the technical team available for planning and installation of the system, with their respective qualifications; and

(c) Guarantee that technical support will be supplied by third parties to ensure the supply of equipment and materials necessary to installation of the service;

III - Documentation pertaining to business/financial capability and reputation:

(a) Documents corroborating the economic and financial ability to implant the service with its own resources, or resources obtained by actions taken to assure the necessary financing. The sum of the net worth of the companies that belong, directly or indirectly, to the groups that constitute the bidder company or consortium shall be considered; and

(b) Certificate that bidder has not filed for bankruptcy or Chapter 11 protection, issued by the court distributor for the headquarters of the company, or certificate that there has been no execution against property, issued at the domicile of a natural person that holds 10 percent or more of the voting stock;

IV - Documentation pertaining to good standing with tax authorities:

(a) Proof of enrollment in the General Taxpayers' Register (CGC);

(b) Proof of enrollment in the state or municipal taxpayers' register, if any, for the site of company headquarters;

(c) Proof of good standing as regards Social Security;

(d) Proof of good standing with the federal, state, and municipal treasury having jurisdiction over the company headquarters, or other equivalent pursuant to law; and

V - Guarantee document:

(a) Presentation of guarantee pursuant to Article 32 of these regulations, when applicable.

Article 36.

In cases of consortia, each member company shall be required to submit qualifying documents. The failure of any member company to qualify shall disqualify the consortium.

Article 37.

A bidder shall be disqualified if he fails to submit any of the documents listed in Article 35 or if, although submitted, the documents do not conform to the requirements of the invitation or have mistakes or inaccuracies.

Sole Paragraph. The disqualification of a bidder precludes participation in subsequent phases of the bid proceedings.

Article 38.

After conclusion of the bidder qualification phase and once the bids have been opened, bidders cannot be declassified for reasons related to qualifications, except for supervening circumstances or facts that did not come to light until after termination of said phase.

Section VI - Classification

Article 39.

The classification phase consists of the examination of the bids according to scoring criteria stipulated in advance in the invitation and developed on the basis of telecommunications legislation, these regulations, and supplementary rules and regulations.

Paragraph 1. For purposes of this article, the following issues shall be considered, among others as appropriate:

I - Radio broadcasting and special TV retransmission services:

(a) Equity interest, direct or through an affiliate, in companies that operate TV signal distribution services by subscription, or in companies that operate radio broadcasting services in the same service area as that of the object of the invitation;

(b) Participation in the shareholding composition of the entity, with quotas or shares that carry the right to vote, by persons or a group of persons resident and domiciled in localities encompassed by the service area that is the object of the invitation;

(c) Time allocated for local programming;

(d) Time allocated to news service; and

(e) Date for beginning operation of the service;

II - TV signal distribution services by subscription:

(a) Equity interest, direct or through an affiliate, in companies that operate sound and images radio broadcasting services, or in companies that operate TV signal distribution services by subscription in the same service area as that of the object of the invitation;

(b) Participation in the shareholding composition of the entity, with quotas or shares that carry the right to vote, by persons or a group of persons resident and domiciled in localities encompassed by the service area that is the object of the invitation;

(c) Time allocated for local programming;

(d) Cultural and educational programming;

(e) Schedule for implementing the programming;

(f) Schedule for installing the system; and

(g) Price to be charged for the subscription.

III - Restricted public service, limited services, and other special services:

(a) Service area;

(b) Number of municipalities served per unit of the Brazilian federation;

(c) Number of units of the Brazilian federation served;

(d) Schedule for installation of the base stations;

(e) Deadline for start of commercial operation of the service; and

(f) Maximum price to the charged the users of the service.

Paragraph 2. No confidential, subjective, or closely held data, criteria, or facts should be used in the bidder classification phase if it might destroy the principle of equity among bidders.

Article 40.

The classification shall be made on the basis of the scores obtained by the entity, resulting from responses to questions posed in these regulations and in the invitation, considering the grouping of the services as set forth in Article 17. Entities shall qualify if:

I - They obtain at least 50 percent of the maximum points possible on Group A services;

II - They obtain at least 60 percent of the maximum points possible on Group B services;

III - They obtain at least 70 percent of the maximum points possible on Group C services.

Sole Paragraph. The Ministry of Communications shall define, in supplementary service standards, rules that make it possible to fix the number of points to be assigned to the questions mentioned in Article 39.

Section VII - Selection

Article 41.

The selection phase consists in the determination of the successful entity from among the qualified bidders, considering the following criteria:

I - For Group A services, where the fee for the award will be stipulated in the invitation, the entity that obtains the highest number of points in the classification phase shall be selected;

II - For Group B services, the entity obtaining the highest result when the number of points obtained in the classification phase is multiplied by the number of points relating to the sum bid as payment for the award, according to Paragraph 1 of this article, shall be selected; and

III - For Group C services, the entity that offers the highest sum in payment for the award shall be selected.

Paragraph 1. In the situation covered by subsection II, the points corresponding to the highest and lowest scores achieved among the entities classified in the classification phase shall, respectively, be assigned to the highest and lowest sums bid as payment for the award. Points shall be assigned to the other bids proportionally, in accordance with the invitation.

Paragraph 2. An entity shall be considered as eliminated from the bid proceedings if, for services referred to in subsections II and III, it bids less than the minimum fee stipulated for the award in the corresponding invitation, pursuant to Article 24.

Paragraph 3. In the event of a bid that provides for payment for the award to be made in installments, as provided in Article 52, the present value calculated on the basis of the rate established in the invitation shall be considered.

Article 42.

In the event of a tie in the situation provided for in Article 41(I), it is mandatory that the tie be broken by drawing of lots at a public ceremony to which all the tied bidders shall be invited.

Article 43.

In the event of a tie in the situations provided for in Article 41(II) and (III), the bidder who obtains the greatest number of points in the classification phase shall win. If a tie persists, it is mandatory that it be broken by drawing of lots at a public ceremony to which all the tied bidders shall be invited.

Article 44.

In the event that the object of the invitation encompasses more than one award of a concession or license, the selection shall be made by observing the order of classification of the bidders resulting from the selection phase.

Chapter VI - Formalization of the Award

Section I - Preliminary Provisions

Article 45.

The telecommunications services that are the object of these regulations shall be awarded by concession or license, in accordance with the provisions of the pertinent regulations.

Article 46.

The acts by which rights to operate telecommunications services on a commercial basis are awarded shall contain, when and as appropriate, the following information, among other data:

I - The object, area, and duration of the concession or license;

II - Terms of payment for the award;

III - Conditions under which the service is to be operated;

IV - Criteria, indicators, and parameters defining the quality of the service;

V - Technical characteristics of the entities;

VI - Conditions for renewal and revocation of the award; and

VII - Penalties.

Section II - Concessions

Article 47.

Concession is the administrative act, contractual in nature, by which the public authorities award third parties the right to operate the following telecommunications services for a specific length of time and for their own account, pursuant to Laws No. 4,117/62 and 8,977/95:

(a) Radio broadcasting of sounds and images;

(b) Audio radio broadcasting on the 14 to 25 meter wave band [*ondas tropicais*];

(c) Audio radio broadcasting, shortwave;

(d) Regional and national audio radio broadcasting, medium-wave;

(e) Cable TV.

Sole Paragraph. Concessions are made effective by publication of the corresponding act, signature of a contract, and payment of the associated fees.

Section III - Licenses

Article 48.

A license is the administrative act by which the public authorities award third parties the right to operate the following telecommunications services for a specific length of time and for their own account, pursuant to Law No. 4,117/62:

(a) Local audio radio broadcasting, medium-wave;

(b) FM audio broadcasting;

(c) Special services;

(d) Limited services; and

(e) Restricted public service.

Sole Paragraph. Licenses are made effective by publication of the corresponding act, signature of an access contract, and payment of the associated fees.

Section IV - Payment for the Award

Article 49.

A concession or license for operation of the services that are the object of these regulations shall require a payment for the award, to be paid to the Telecommunications Inspection Fund - FISTEL.

Sole Paragraph. Failure to comply with the provision of this article shall subject the recipient of the award to forfeiture of the concession or license.

Article 50.

The fee for a concession or license to operate Group A services shall be determined by the Ministry of Communications and must be paid in cash within 30 business days from receipt of the notification of payment due, issued by the Ministry of Communications.

Article 51.

The fee for a concession or license to operate Group B and C services shall be the sum bid by the entity that won the competitive bidding.

Article 52.

Payment for an award of Group B and C services may be made in as many as 10 installments, to be paid during the life of the concession or license, provided these installments are not less than the minimum fee for the award set by the Ministry of Communications, the following conditions being observed:

(a) The first installment shall be paid within 30 days from receipt of the notification of payment due, issued by the Ministry of Communications;

(b) The remaining installments shall be paid as stipulated in the submitted bid.

Sole Paragraph. A delay in payment of installments shall result in a fine of 10 percent and default interest of one percent per month on the value of that installment.

Chapter VII - Adequate Services

Article 53.

Any award of a right to operate telecommunications services on a commercial basis presupposes the provision of service adequate to meet the needs of the users, as established in these regulations, pertinent rules, and the award itself.

Article 54.

Adequate service is service that satisfies the conditions of scope or coverage, level of supply, regularity, continuity, efficiency, use of current technology, and reasonableness of prices or tariffs.

Paragraph 1. Use of current technology means modernity of methods, equipment, systems and facilities and their maintenance, as well as the improvement and expansion of the service.

Paragraph 2. An interruption in service in a situation of emergency or advance notice shall not be considered a discontinuity when:

I - Caused by technical or facilities safety reasons; and

II - Occurring because of default by the user, community interest being considered.

Chapter VIII - Rights and Duties

Section I - Rights and Duties of the Awarding Authority

Article 55.

The Ministry of Communications has the following duties, essentially:

I - To regulate the awarded service and continually oversee the provision thereof;

II - To impose penalties as provided in regulations and those concerning the award process;

III - To intervene in the operation of the service in the cases and under the conditions stipulated in the regulations;

IV - To observe and cause to be observed the regulations for the service; and

V - To encourage competition.

Sole Paragraph: In exercising its oversight, the Ministry of Communications shall have free access, at all times, to the equipment and facilities that comprise the components of the service, as well as to the business and financial data and information pertaining to management.

Section II - Rights and Duties of the Awardee

Article 56.

The entity to which a concession or license is awarded has the following duties, essentially:

I - To provide adequate service as stipulated in these regulations and in other pertinent regulations;

II - To observe and cause to be observed the standards for the service; and

III - To permit those responsible for oversight free access, at any time, to the equipment and facilities that comprise the components of the service, as well as to the business and financial data and information pertaining to management.

Section III - Rights and Duties of the User

Article 57.

The user has the following rights and obligations, essentially:

I - To receive adequate service;

II - To receive information, from the Ministry of Communications or the concessionaire or licensee, in order to defend his individual or collective interests;

III - To have freedom of choice in obtaining and using the service, the regulations, and applicable standards being observed;

IV - To report to the Ministry of Communications and the concessionaire or licensee any irregularity of which he becomes aware, relating to the service provided;

V - To notify the Ministry of Communications of illegal actions taken by the concessionaire or licensee in the course of providing the service; and

VI - To maintain in good condition the property through which the services are provided to him.

Chapter IX - Transfer and Renewal of the Award

Section I - Transfer

Article 58.

Either direct transfer to another entity of the right to operate the services awarded under these regulations, or a transfer resulting from a disposal of shares or quotas representative of the company capital of the entity holding the award that entails a change in the controlling interest of the company, requires prior approval of the Ministry of Communications.

Sole Paragraph. A change in the controlling interest of the entity resulting from an increase in its capital shall also be considered as a transfer of the award.

Article 59.

Both a transfer of quotas or shares representative of the company capital and an increase of the company capital that alters the proportion of holdings among partners, although not entailing a transfer of the controlling interest in the company, must be reported to the Ministry of Communications.

Article 60.

A request to transfer the award may be made only after the operation of the service has actually started, the deadlines stipulated in the regulations pertaining to each mode being observed.

Section II - Renewal

Article 61.

The awardees are assured, the public interest being served, the opportunity to renew the concession or license provided that they:

I - Have fulfilled the conditions of the concession or license;

II - Have been complying with the regulations applicable to the service; and

III - Agree to meet those requirements that are technically and economically viable in order to satisfy the needs of the community, including needs for modernization of the system.

Article 62.

An awardee who has filed for renewal at the appropriate time pursuant to the pertinent regulations will have his award renewed if the Ministry of Communications does not stipulate a requirement that he must satisfy, or if it fails to decide on the request by the deadline set for the end of the concession or license, the conditions pertaining to each mode of service being observed.

Paragraph 1. In formulating requirements to be met by the concessionaire or licensee, the Ministry of Communications must set a deadline for compliance.

Paragraph 2. If, owing to requirements imposed on the entity, the term of the concession or license expires before any decision is made on the request for renewal, the service may be allowed to continue functioning temporarily.

Article 63.

A concession or license may be revoked when:

I - The concessionaire or licensee fails to file for renewal within the stipulated period, or files a petition to abandon the award;

II - Renewal is not in the public interest; and

III - It is found that the concessionaire or licensee has not been fulfilling the legal and regulatory requirements applicable to the service.

Paragraph 1. If any of the situations referred to in subsections II and III of this article are found to exist, the awardee shall be given 30 days from receipt of the notification in which to submit his defense and evidence demonstrating that the situation that was unfavorable to renewal has been reversed.

Paragraph 2. After an award has been revoked, the Ministry of Communications shall take steps to immediately interrupt the operation of the service.

Article 64.

Renewal of an award shall require payment, into the Telecommunications Inspection Fund - FISTEL account, of a sum equivalent to the fee paid for the award.

Chapter X - Final Provisions

Article 65.

Supplementary instructions and procedures for applying the provisions of these regulations shall be set forth in supplementary rules by the Ministry of Communications.

Article 66.

The time periods stipulated in these regulations shall be calculated by excluding the starting date but including the expiration date, and shall be construed as being consecutive days.

Sole Paragraph. The time periods referred to in this article shall begin or end only on days when the Ministry of Communications is conducting business.

Cable TV Decree

95SM0514B Sao Paulo GAZETA MERCANTIL in Portuguese 12 Sep 95 pp A9-A10

Decree No. 224 Of September 1, 1995

The Minister Of State Of Communications, by virtue of the authority conferred upon him by Article 87, sole paragraph, subsection II of the Constitution, and

Whereas telecommunications services fulfill a role of vital significance in the social, cultural, and economic development of this country;

Whereas it is desirable that the general public participate in the regulatory and rulemaking processes pertaining to telecommunications services;

Whereas various and distinct comments and suggestions were received by this Ministry as a consequence of its consultation of the public under Decree No. 119 of April 13, 1995, hereby Resolves:

Article 1.

To republish for public comment the proposed cable TV service regulations that were the subject of Law No. 8,977 of January 6, 1995, pursuant to the text attached to this decree, which incorporates the results of the first consultation.

Article 2.

Comments and suggestions must be justified and substantiated, and framed within the limits of Law No. 8,977/95.

Article 3.

Comments that entail full or partial modification of any of the provisions of the proposal, or suggestions for inclusion of new provisions, must be accompanied by the respective wording.

Article 4.

Interested parties have 20 days from the publication of this decree in which to submit their statements, which should be sent to the following address: Communications Secretariat, Esplanade of the Ministries, Block "R" Annex - 3rd floor, Room 301 I, Brasilia, Federal District 70044-900.

Article 5.

This decree enters into force on the date of its publication.

Sergio Motta, Minister of Communications.

Regulations For Cable TV Service

Chapter I - Objectives and Definitions

Article 1.

Cable TV service shall obey the precepts of telecommunications legislation already in force, those of Law No. 8,977 of January 6, 1995, those of these regulations, and those of the supplementary rules issued by the Ministry of Communications and by the Ministry of Culture.

Article 2.

Cable TV service is a telecommunications service, not open to public correspondence, that consists of the distribution of video and/or audio signals to subscribers by transmission over physical media.

Paragraph 1. The signals referred to in this article embody video and/or audio programs similar to those offered by radio broadcasting companies, as well as meteorological reports, banking and financial information, cultural information, price data and other information that may be offered to subscribers to the service. This provision does not exclude the possibility that the mentioned information may be applied in other modes of telecommunications services.

Paragraph 2. Included in the service is the interaction necessary for program selection and other pertinent applications, under conditions set forth in rules issued by the Ministry of Communications.

Paragraph 3. "Interaction" is to be understood to mean all signal exchange or information processes, or commands between the subscriber's terminal and the base from which the programs or reports offered to subscribers to the service are distributed or generated.

Article 3.

Cable TV service is intended to promote universal and national culture, diversity of sources of information, leisure and entertainment, political plurality, and the social and economic development of this country.

Article 4.

Cable TV service shall be guided by a policy that develops the potential for integration with the National Telecommunications System and recognizes the participation of the Executive Branch, the private sector, and the general public under a regime of cooperation and complementarity, pursuant to Law No. 8,977 of January 6, 1995.

Sole Paragraph. The formulation of the policy referred to in this article and the development of the cable TV service shall be oriented by the ideas of the One Network/Public Network concept, participation by the general public, private operation, and coexistence among private networks and those of the telecommunications concessionaires.

Article 5.

The rules and regulations that, under these regulations, are to be drafted by the Ministry of Communications and the Ministry of Culture shall not be issued until the opinions of the Media Council thereon have been heard. That council shall make its statement within 30 days of receipt of the consultation; if not, the rules and regulations will enter into force.

Article 6.

For the purposes of these regulations, the definitions established by Law No. 8,977 of January 6, 1995 apply in addition to those set forth below, and the Ministry of Communications shall make them explicit in supplementary rules:

I - Access is the commitment by the cable TV service operator that results from the signing of a contract that guarantees the subscriber access to the service upon payment of the fee established by the operator.

II - Basic Service is comprised of the set of programs offered to the subscriber on the basic channels for which provision is made in Article 23(I) of Law No. 8,977 of January 6, 1995.

III - Basic Subscription is the price paid by the subscriber to the cable TV service operator in return for making the Basic Service available to him.

IV - Commercial Service is comprised of sets of programs that constitute the basic service, plus those selected from among channels occasionally or permanently provided by the operator, and channels programmed freely by the operator.

V - Commercial subscription is the price paid by the subscriber to the cable TV service operator in return for making the Commercial Service available to him.

VI - Basic Plan is the plan on which the concession is based and consists of a description of the proposed cable TV service system. It details the capacity of the system, the service area, the number of households it will be possible to serve, the timetable for implementing the system and beginning the programming, and other aspects of public interest, all to be set forth in the Invitation to Tender for parties interested in providing the service.

Chapter II - Sphere of Authority

Article 7.

The Ministry of Communications has authority to award a concession to operate cable TV service.

Article 8.

In addition to powers established in other articles of these regulations, the Ministry of Communications has the authority to determine or rule on the following, depending on convenience and the public interest:

I - Technical parameters of quality and performance in the execution and operation of the service;

II - Requisites for actual or potential integration of the cable TV service with the National Telecommunications System and with the networks that are capable of transmitting TV signals;

III - Criteria for classifying and selecting the bids submitted in response to an invitation;

IV - Oversight of the service throughout Brazil;

V - Resolution, at the first instance level, of doubts and conflicts that may arise out of the interpretation of Law No. 8,977/95 and its implementing regulations.

VI - Legal criteria that curb abuses of economic power in the cable TV service; and

VII - Development of cable TV service within a context of free competition.

Article 9.

The Ministry of Communications has the authority, acting jointly with the Ministry of Culture, to establish guidelines for provision of cable TV service that can encourage and provide incentives for the development of the national cinematographic industry and the production of films, cartoons, video, and multimedia in this country.

Chapter III - The Awards Process

Section I - Prior Consultation of the Public

Article 10.

The process of awarding a concession to operate cable TV service is initiated by the Ministry of Communications, acting upon request of the interested party or on its own initiative.

Article 11.

The Ministry of Communications, seeking to properly assess the desirability, timeliness and the public interest, in either of the two situations mentioned in Article 10, shall cause to be published, in the OFFICIAL GAZETTE, a notice of its intention to award a concession for the service in a given area, and shall solicit comments, especially as regards the boundaries of the respective service area and the appropriate number of concessions to be awarded there.

Article 12.

The Ministry of Communications shall evaluate the statements received in response to the public consultation and, once it has determined the public interest and the economic feasibility of the enterprise, shall order the opening of a competitive bidding procedure, defining the number of concessions and the service area.

Sole Paragraph. The service area and the number of corresponding concessions that will serve the public interest and ensure the economic feasibility of the undertaking shall be evaluated by taking into account such aspects as:

I - Average population density of the region;

II - Economic potential of the region;

III - The impact in the region on the development of telecommunications systems;

IV - The possibility of covering the greatest possible number of homes;

V - The number of points of public access to the service via entities such as universities, schools, libraries, museums, hospitals and health clinics.

Article 13.

The Ministry of Communications, when deemed appropriate, including as a result of a public consultation process, may proceed to divide a given region or locality into more than one service area but, whenever possible, shall see that all areas have equivalent market potential.

Article 14.

The telecommunications concessionaire for the cable TV service area that is the object of the concession must furnish all interested parties, without discrimination, all the technical data related to the availability of its network, both existing and planned.

Sole Paragraph. At the discretion of the telecommunications concessionaire, the information may be furnished in a meeting that it organizes and publicizes.

Section II - The Bid Proceedings

Article 15.

The Ministry of Communications shall adopt the following phases for the competitive bidding proceedings:

I. Advertising; II. Qualification; III. Classification; and IV. Selection.

Article 16.

The bid proceedings shall be advertised by publishing the announcement of the invitation to tender in the OFFICIAL GAZETTE, including an indication of the place where interested persons may examine and obtain the full text of the invitation, as well as the date and time for submission of documentation and bids.

Sole Paragraph. The interval between the publication date of the notice of invitation to tender and the receipt of the bids may not be shorter than 30 days.

Article 17.

The invitation to tender shall include the following data and requisites necessary to formulation of the bids to operate the service, as well as other factors:

I - Number of concessions to be awarded;

II - Technical characteristics;

III - The service area;

IV - The fee, or minimum fee, to be paid for the concession, as the case may be;

V - Duration of the concession;

VI - References to pertinent regulations;

VII- Conditions for operation of the service;

VIII - List of documents for assessment of legal qualification, technical capability, business/financial capability and reputation, and good standing with tax authorities; and

IX - Questions and criteria for qualification and selection of the bidders.

Sole Paragraph. Any modification in the invitation requires the same publicity as was given the original text. The deadline initially stipulated shall be reopened except when the change would unquestionably not affect the formulation of the bids.

Article 18.

Companies that satisfy the requirements and conditions stipulated in pertinent regulations, these regulations, and supplementary rules may participate in the bidding for a concession to operate the service.

Article 19. Companies in any of the following situations are prohibited from participating in bid proceedings to obtain a concession to operate the service:

I - Companies that already hold a cable TV service concession but have not begun operation of the service within the legal time period, or who are in default with the inspectors from the Executive Branch, or have had their concessions canceled during the preceding five years;

II - Companies in which a partner or quotaholder appears who was included in the shareholding composition of companies that fall within the conditions in subsection I of this article.

Article 20. The qualification phase shall consist of the analysis of the following documentation:

(a) An authenticated copy of the acts of incorporation and amendments thereto, duly registered or filed with the appropriate government office, and showing specifically that the private company's principal activity is the provision of cable TV service, as well as, in the case of a corporation, a copy of the minutes of the Annual Meeting that elected the directors and a list of shareholders showing the number, value, and type of shares held by each partner;

(b) Proof that at least 51 percent of the company's voting stock has been held by native-born or naturalized Brazilians for more than ten years, or to a company, headquartered in Brazil, whose control has been held by native-born or naturalized Brazilians for more than ten years;

(c) Declaration by the directors of the entity that they are not entitled to legislative immunity or special jurisdiction.

(d) Proof of enrollment in the General Taxpayers' Register (CGC);

(e) Proof of enrollment in the state or municipal taxpayers' register, if any, for the site of company headquarters;

(f) Proof of good standing as regards Social Security;

(g) Certificate of good standing issued by an agency from the locality where the bidder has its headquarters: (1) from the Secretariat of the Federal Revenue and the Office of the National Treasury Prosecutor; (2) from the state or Federal District Treasury; and (3) from the municipal treasury;

(h) Statement that the company seeking the award, as stipulated in Articles 7 and 8 of Law No. 8,977/95: (a) has not failed to initiate operation of any cable TV service within the legally-stipulated time period; (2) has not had a concession canceled during the preceding five years; (3) is not in default with the inspectors from the Executive Branch; and (4) has no partner or quotaholder who was included in the shareholding composition of companies that fall within the conditions in items 1 and 2.

(i) Registration or membership of the chief technical officer in the appropriate professional association, pursuant to supplementary rules;

(j) Identification of the members of the technical team available for planning and installation of the system, with their respective qualifications;

(k) Guarantee that technical support will be supplied by third parties to ensure the supply of equipment and materials necessary to installation of the service;

(l) Documents corroborating the economic and financial ability to implant the service with its own resources, or resources obtained by actions taken to assure the necessary financing; and

(m) Certificate that bidder has not filed for bankruptcy or Chapter 11 protection, issued by the court distributor for the headquarters of the company, or certificate that there has been no execution against property issued in the domicile of a natural person that holds 10 percent or more of the voting stock.

Article 21.

A bidder shall be disqualified if he fails to submit any of the documents listed in Article 20 or if, although submitted, the documents do not conform to the requirements of the invitation or have mistakes or inaccuracies.

Sole Paragraph. Disqualification of a bidder precludes his participation in subsequent phases of the bid proceedings.

Article 22.

After conclusion of the bidder qualification phase and once the bids have been opened, bidders cannot be declassified for reasons related to qualifications, except for supervening circumstances or facts that did not come to light until after termination of said phase.

Article 23.

The classification phase shall consist of the examination of the bids according to scoring criteria described in Article 25 of these regulations and stipulated in advance in the invitation, with a view to diversification of sources of information, leisure and entertainment, promotion of Brazilian culture, and the social and economic development of this country, including its local and regional dimensions.

Article 24.

Each entity's bid must include the basic plan for the system, in accordance with the provisions of Law No. 8,977/95, these regulations, and such rules as may be issued by the Ministry of Communications or the Ministry of Culture, in addition to the specific provisions of the invitation to tender published for the respective service area. This must include at least the following:

(a) Specifications of the system, with an indication of its capacity (minimum number of channels to be offered), the intended technical and quality indicators, and the facilities for management, operation, and maintenance;

(b) Timetable, expressed in quarterly terms, for the implantation of the system, indicating the infrastructure implementation stages necessary to the execution of the service as regards the Telecommunications Transmission Network and the Local Network of TV Signal Distribution, as well as the headend unit *[cabecal]* from the start of installation until the entire service area is fully served as planned;

(c) Information on the minimum number of programs that will be available to subscribers in the initial phase of the service and a timetable, expressed in six-month increments, for the subsequent phases until the entire service area is fully served as planned;

(d) Information on the number of households that can be served during the initial stage of the service to subscribers and in subsequent stages, until the entire service area is fully served as planned;

(e) Information on the minimum time allocated to local programming on the channels programmed freely by the operator;

(f) Information on the educational/cultural programming on the channels programmed freely by the operator;

(g) Information on the offering of the Basic Service with exemption from the access fee and basic subscription fee for local community entities established in the service area, such as universities, schools, libraries, museums, hospitals and health clinics;

(h) Information on the fee for the basic subscription; and

(i) Information on the conditions of equity interest in a company that operates a TV signal distribution service by subscription in the service area that is the subject of the invitation.

Article 25.

Examination of the bids with a view to classifying the entities shall consider at least the following issues, and the maximum percentages taken in relation to the total possible points, as described below, are to be observed:

I - Participation in the shareholding composition of the entity, with quotas or shares that carry the right to vote, by persons or a group of persons resident and domiciled in localities encompassed by the service area that is the object of the invitation - 15 percent;

II - Capacity of the proposed system (total number of channels) -12 percent;

III - Timetable for implementing the system, from its entry into operation until the entire service area is fully served - 15 percent, distributed as follows:

(a) Households that can be served:

blst}number of households that can be served at startup of system operation - five percent; %number of households that can be served at the end of the first year of system operation - four percent; %number of households that can be served at the end of the second year of system operation - three percent;txt1}

(b) Number of days before the entire service area is fully served - three percent;

IV - Timetable for implementation of the programming on the channels programmed freely by the operator - 15 percent, distributed as follows:

(a) Availability of programming:

blst}number of programs available at startup of system operation -five percent; %number of programs available at the end of the first year of system operation - four percent; %number of programs available at the end of the second year of system operation - three percent;txt1}

(b) Number of days before the total number of programs on the channels programmed freely by the operator becomes available - 3 percent;

V - Minimum time allocated to local programming: minimum percentage taken in relation to total program time on the channels programmed freely by the operator - 12 percent;

VI - Number of channels designated for educational and cultural programming beyond the minimum stipulated in Law No. 8,977/95, on the channels programmed freely by the operator - five percent;

VII - Number of local community establishments to which basic service will be offered with exemption from the access fee and basic subscription fee - six percent;

VIII - Fee to be charged for the basic subscription - 10 percent; and

IX - Equity interest, direct or through an affiliate, in a company that operates a TV signal distribution service by subscription when there is overlap, albeit partial, of the service areas for the respective services (number of awards) - 10 percent;

Paragraph 1. For the questions posed in subparts III(b) and IV(b) and in subsections VIII and IX of this article, the maximum score shall be assigned to the lowest bids and the scores for the other questions shall be assigned to those of lowest value.

Paragraph 2. Points shall be assigned to bids other than the best bids proportionally, according to the invitation.

Paragraph 3. The invitation shall contain details on procedures for examining the bids, and shall at least include the questions listed in this article.

Paragraph 4. In light of the specific characteristics of a given service area, the invitation to tender may make provision for other questions to be posed for purposes of examining the bids. Their score shall not exceed 20 percent of total possible points. In such case, the maximum percentages given in this article shall be reduced proportionately so as to accommodate the additional questions.

Article 26.

For the purposes of these regulations an entity shall be considered to be an affiliate of another if:

(a) One holds at least 20 percent of the nonvoting stock of the other, or if at least 20 percent of the voting stock of the two is held, directly or indirectly, by successive holdings in companies by one person or company;

(b) They have a director or executive in common;

(c) There is a financial or commercial relationship that denotes the dependence of one on the other.

Article 27.

No confidential, subjective, or closely-held data, criteria, or facts should be used in the bidder classification phase if it might destroy the principle of equity among bidders.

Article 28.

The classification shall be made on the basis of the scores obtained by the entity, considering the criteria and questions posed in these regulations and in the invitation. Entities shall qualify if:

I - They obtain at least 50 percent of the total possible points in service areas having a population of less than 300,000;

II - They obtain at least 60 percent of the total possible points in service areas having a population of at least 300,000 but less than 700,000;

III - They obtain at least 70 percent of the total possible points in service areas having a population of 700,000 or more.

Article 29.

In order to ensure an equitable and impartial comparison of the bids submitted, the Ministry of Communications shall adopt the following routine before marking any decision on an award:

I - Publication of the consolidated chart of the data submitted by the bidders in response to the required questions in the invitation that are to be subject to scoring. This chart shall be made available for public comment for a period of 30 days;

II - The Ministry of Communications may, if so requested by one of the bidders, hold a hearing to resolve doubts and questions relating to the bids submitted; and

III - If it is decided to hold a hearing, it shall take place within 15 days of the end of the period for submission of public comments provided for in subsection I of this article.

Article 30.

The selection phase shall consist of the determination of the successful entity from among the qualified bidders, considering the following criteria:

I - For services to be operated in service areas having a population of less than 300,000, where the fee for the award will be stipulated in the invitation, the entity that obtains the highest number of points in the classification phase shall be selected;

II - For services to be operated in service areas having a population of at least 300,000 but less than 700,000, the entity obtaining the highest result when the number of points obtained in the classification phase is multiplied by the number of points relating to the sum bid as payment for the award, according to Paragraph 1 of this article, shall be selected;

III - For services to be operated in service areas having a population of 700,000 or more, the entity that offers the highest sum in payment for the award shall be selected.

Paragraph 1. In the situation covered by subsection II, the points corresponding to the highest and lowest scores achieved among the entities classified in the classification phase shall, respectively, be assigned to the highest and lowest sums bid as payment for the award. Points shall be assigned to the other bids proportionally, in accordance with the invitation.

Paragraph 2. An entity shall be considered as eliminated from the bid proceedings if, for services referred to in subsections II and III, it bids less than the minimum fee stipulated for the award.

Article 31.

In the event of a tie in the situation provided for in Article 30(I), it is mandatory that the tie be broken by drawing of lots at a public ceremony to which all the tied bidders shall be invited.

Article 32.

In the event of a tie in the situations provided for in Article 30(II) and (III), the bidder who obtains the greatest number of points in the classification phase shall win. If a tie persists, it is mandatory that it be broken by drawing of lots at a public ceremony to which all the tied bidders shall be invited.

Article 33.

In the event that the object of the invitation encompasses more than one award of a concession, the selection shall be made by observing the order of classification of the bidders resulting from the selection phase.

Article 34.

The Ministry of Communications shall have a period of five business days from the date of the award of the object of the bid proceedings in which to ratify the results thereof.

Article 35.

All information and opinions relating to the bid proceedings shall appear in the respective proceedings, which shall remain at the disposal of the interested parties for consultation.

Section III - Formalization of the Award

Article 36.

The right to operate cable TV service shall be awarded by concession for a 15-year period and may be renewed for successive and equal periods.

Article 37.

The act by which a concession to operate the service is awarded shall contain, at least, the object, duration, and service area and the terms of payment for the award.

Article 38.

The Ministry of Communications shall cause a summary of the act of award to be published in the OFFICIAL GAZETTE within 30 days from signature thereof, pertinent provisions being observed.

Article 39.

Following publication of the act of award, the respective concession contract shall be signed within 60 days from the publication date of that act, under penalty of revocation of the concession, unless signature did not occur for reasons beyond the control of the concessionaire.

Sole Paragraph. The concessionaire shall arrange for publication of an abstract of the concession contract in the OFFICIAL GAZETTE within 20 days of signature thereof; otherwise, the act of award shall be null and void.

Article 40.

A concession to operate cable TV service shall require a payment for the award, to be paid to the Telecommunications Inspection Fund - FISTEL, under terms established in the invitation.

Sole Paragraph. Failure to comply with the provision of this article shall subject the concessionaire to forfeiture of the concession.

Article 41.

A cable TV service concessionaire is obliged to comply with all the questions that led to his selection during the award process, in conformity with the basic plan that was part of his bid.

Sole Paragraph. The obligation established in this article and the penalty for breach thereof shall appear in the concession contract.

Section IV - Competitive Conditions

Article 42.

The Ministry of Communications shall establish the supplementary rules, observing legal criteria that curb abuses of economic power and principles that encourage the development of cable TV service in a context of free competition.

Article 43.

In the event there is no demonstration of interest in providing service to a given area, the Ministry of Communications may award a concession to a local telecommunications concessionaire to operate the service.

Sole Paragraph. In such case, no new invitation will be opened. An expression of interest by the telecommunications concessionaire will be sufficient.

Article 44.

A concession for operation of the service by a telecommunications concessionaire shall be awarded for a 15-year period, renewable for similar periods, according to procedures established by the Ministry of Communications, which shall include public consultation.

Chapter IV - Installation of the Service

Section I - The Installation Plan

Article 45.M

Installation of a cable TV system requires the preparation of an installation plan, for which a qualified engineer shall be responsible. This plan shall be compatible with the technical characteristics set forth in the basic plan submitted under the invitation and shall be in accordance with the supplementary rules issued by the Ministry of Communications.

Paragraph 1. The plan must be prepared in such a way that the system satisfies all the minimum requirements established in supplementary rules.

Paragraph 2. The plan must clearly show the boundaries of the service area, of the Telecommunications Transmission Network when this is utilized, and of the Local Network of TV Signal Distribution, as well as the ownership of each of them and of their segments, if applicable.

Paragraph 3. The service area determines the maximum geographic boundaries of the Local Network of TV Signal Distribution.

Paragraph 4. The plan for the Telecommunications Transmission Network, when the responsibility of the telecommunications concessionaire, shall not be submitted to the Ministry of Communications. However, it must ensure that the cable TV system satisfies the minimum technical requirements stipulated in supplementary rules.

Paragraph 5. It is recommended that efforts be made to avoid multiple networks, both in the segments of the Transmission Network and in those of the Local Network, and the operator should attempt to use the network available from the local telecommunications concessionaire or other cable TV operator in the same service area.

Paragraph 6. A summary of the installation plan shall be submitted to the Ministry of Communications for information purposes within 180 days of publication in the OFFICIAL GAZETTE of the act of award of the concession, using the special form developed for the purpose by the Ministry of Communications.

Paragraph 7. The installation plan and its amendments must be made available for consultation, at any time, by the Ministry of Communications.

Paragraph 8. The segment of the Local Network of TV Signal Distribution situated on the premises of the subscriber is the property of the subscriber and must obey applicable technical rules.

Section II - Installation and Licensing

Article 46.

Cable TV operators shall have 18 months from the date of publication in the OFFICIAL GAZETTE of the act of award in which to complete the initial phase of system installation and begin providing service to the subscribers.

Sole Paragraph. The time period stipulated in this article may be extended, once only, for a maximum of 12 months if the reasons presented are deemed significant by the Ministry of Communications.

Article 47.

An operator of cable TV service shall be ensured access at the point of connection with a Local Network of TV Signal Distribution which it owns, to the facilities of the Telecommunications Transmission Network.

Article 48.

Within the interval established for beginning operation of the service, a cable TV operator may apply to the Ministry of Communications for licensing of the system, pursuant to supplementary rules.

Article 49.

A cable TV operator must submit to the Ministry of Communications all changes in the technical characteristics as set forth in the installation plan as soon as such changes are put into effect. The same standardized form referred to in Article 45(6) shall be used.

Sole Paragraph. The changes mentioned in this article shall respect the technical characteristics of the service within the limits established in supplementary rules.

Article 50.

The equipment used in cable TV service must be certified by the Ministry of Communications.

Article 51.

If any harmful interference occurs, the Ministry of Communications may, after evaluation, order suspension of the transmission of the channels involved in the interference or even the interruption of the service, if the operator does not immediately act to solve the problem.

Article 52.

Service to the entire service area shall be monitored by the Ministry of Communications so as to ensure compliance with the timetables for implementation submitted by the cable TV operator.

Paragraph 1. The concessionaire shall send the Ministry of Communications reports every six months pertaining to the implantation of the network and the implementation of programming.

Paragraph 2. Failure to adhere to the timetable for implanting the network shall be considered as a lack of technical competence on the part of the concessionaire, unless it is the result of an act of God or force majeure, duly corroborated and accepted by the Ministry of Communications.

Article 53.

In the event that a cable TV operator is interested in expanding his service area beyond the boundaries established in the act of award, he may do so only if it is demonstrated, after consultation of the public, that third parties are not interested in providing service in the intended area.

Paragraph 1. In the event that third parties express such interest, the Ministry of Communications must proceed to open an invitation to tender.

Paragraph 2. The Ministry of Communications may analyze, on a case-by-case basis, applications for expansion resulting from the natural growth of a locality that is part of the service area.

Chapter V - Providing the Service

Section 1 - Channel Availability

Article 54.

A cable TV operator must make channels available within his service area for the following designations, as provided in Article 23 of Law No. 8,977/95:

I - Basic channels to be used free of charge;

II - Channels intended for occasional provision of services; and

III - Channels intended for permanent provision of services.

Sole Paragraph. Except for the channels referred to in subsections I, II and III of this article, the other channels shall be programmed freely by the operator of the cable TV service, as provided in Article 24 of Law No. 8,977/95.

Section II - Basic Channels to be Used Free of Charge

Article 55.

Cable TV operators shall distribute programming from the local originating broadcasters of sound and images on VHF and UHF in accordance with Article 23(I)(a) of Law No. 8,977/95, and the signals thereof must reach the headend unit at an adequate level.

Paragraph 1. The Ministry of Communications shall establish the minimum level of signal intensity that shall be considered adequate for purposes of compliance with the provision of this article.

Paragraph 2. Only justified reasons of a technical nature may lead to the restriction, by a local generator of TV signals, of the distribution of its signals pursuant to Article 23 (4) and (5) of Law No. 8,977/95.

Article 56.

Entities that plan to place programs on the channels for which provision is made in Article 23 (I)(b) and (g) of Law No. 8,977/95, despite having been assured that they may use the corresponding capacity of the cable TV system free of charge must, at their own expense, arrange for the delivery of the signals at the headend unit in accordance with the resources available at the facilities of the cable TV operators.

Article 57.

For purposes of compliance with Article 23(I)(b) of Law No. 8,977/95, the Legislative Assembly and the City Councils shall establish the distribution of time and the conditions under which it may be used.

Sole Paragraph. Live transmissions of sessions of the Legislative Assembly and the City Councils shall be given preference in occupation of the channel for which provision is made in this article.

Article 58.

For purposes of Article 23(I)(e) of Law No. 8,977/95, universities situated in the operator's service area shall conclude a agreements defining the distribution of time and the conditions under which it may be used.

Article 59.

The situation contemplated in the preceding article also applies to programming originated by the agencies of the municipal, state, and federal government that have responsibilities in education and culture, as provided in Article 23(I)(i) of Law No. 8,977/95.

Article 60.

Programming on the community channel, provided for in Article 23(I)(g) of Law No. 8,977/95, shall consist of free community access hours and of programming coordinated by nongovernmental and nonprofit entities situated in the service area.

Article 61.

In the event the channels mentioned in Articles 54-57 are not occupied by the programming for which they were designated, these shall remain available to be used freely by nonprofit and nongovernmental entities situated in the service areas, in accordance with Article 23(2) of Law No. 8,977/95.

Article 62.

In accordance with Article 10(IV) of Law No. 8,977/95, any interested party may ask the Ministry of Communications to take action to clear up doubts or resolve conflicts and problems resulting from situations that frustrate the democratic and pluralist character inherent in the use of the channels for which provision is made in Article 23(I)(b) and (g) of Law No. 8,977/95.

Section III - Channels Intended for Occasional or Permanent Provision of Services

Article 63.

The channels for which provision is made in Article 23(II) and (III) of Law No. 8,977/95, designated, respectively, for occasional (two channels) or permanent (30 percent of capacity) services are components of the public portion of the system capacity, to be offered to program sources that are not affiliated or associated with the cable TV operators or with any companies that enjoy the rights thereof.

Paragraph 1. For purposes of these regulations, an associated program source shall be considered as being one that maintains some kind of commercial relationship, including a franchise relationship, with the cable TV operator other than the sale of programs, pure and simple.

Paragraph 2. Cable TV operators shall publicly offer the channels designated for occasional or permanent provision of services by placing a prominent announcement in at least one major newspaper in the capital city of the respective state.

Paragraph 3. Applicants shall be attended in the chronological order in which their applications were submitted. In the event that requests submitted simultaneously exhaust the offered capacity, applicants shall be selected as provided in Article 25(2) of Law No. 8,977/95 by justified decision of the operator on the basis of criteria that consider the guarantee of the right of expression and the exercise of free competition, as well as the quality and economic efficiency of the network.

Paragraph 4. The prices to be charged by operators for the use of the channels must be fair and reasonable, nondiscriminatory, and compatible with usual market practice and with the costs of those channels.

Paragraph 5. The operator shall not interfere in any way with the programming activity of the channels designated for occasional or permanent provision of services. Full responsibility for their content shall lie with the program sources, or with the companies being served. Nor is the operator obligated to furnish infrastructure for program production.

Paragraph 6. Contracts for channel use shall remain available for consultation by any interested party, pursuant to Article 25(3) of Law No. 8,977/95.

Paragraph 7. The Ministry of Communications may, in order to ensure greater diversity in the sources of information to the public, regulate the provisions of this article in greater detail.

Section IV - Channels Freely Programmable by the Operator

Article 64. The channels that are freely programmable by the operator, mentioned in Article 24 of Law No. 8,977/95, shall offer programming produced by the operator itself, its affiliates or associates, or programs purchased from other program sources selected by the cable TV operator.

Sole Paragraph. In fulfillment of Article 10(V) of Law No. 8,977/95, and in order to ensure that the cable TV service is developed in accordance with subsection VI of that same article, the agreements between the operator and the program sources must adhere to the following provisions:

I - A cable TV operator shall not impose conditions that entail participation in the control of, or require any financial interest in, the program source company;

II - A cable TV operator shall not oblige the program source to stipulate exclusivity rights as a condition of the contract;

III - A cable TV operator shall not adopt practices that unduly restrict the ability of an unaffiliated program source to complete fairly, by discriminating in the selection, terms or conditions of the program supply contract;

IV - When a cable TV operator contracts for programs that originate outside Brazil, he shall always do so with a company that is established in Brazilian territory.

Section V - Provision of Services

Article 65.

A cable TV operator must offer the service to the public in a nondiscriminatory manner and at fair, reasonable, and uniform prices and conditions, thereby ensuring access to the service, as a subscriber, to all whose premises are situated in the service area, upon payment of the corresponding access and basic subscription fees.

Article 66.

Basic Service consists of the basic channels, designated for use free of charge, established in Article 23(I) (a) and (g) of Law No. 8,977/95.

Article 67.

No price to be charged to the subscriber, except the price of the basic subscription, may be subject to regulation.

Sole Paragraph. The price of the basic subscription may be regulated only if the Ministry of Communications determines that there is insufficient competition on the TV signal distribution by subscription market, and in the manner set forth in supplementary rules.

Article 68.

A cable TV operator may not, by contract or other means, prohibit a subscriber from having the property he occupies served by other entities that operate TV signal distribution services by subscription.

Article 69.

An adequate infrastructure for transmission and distribution of TV signals in provision of cable TV service must permit, technically, individual access by subscribers to certain channels and programs, to be standardized by the Ministry of Communications.

Article 70.

An operator must make available to the subscriber, when so requested and at the subscriber's expense, a device that permits blocking the free reception of certain programs.

Article 71.

It is mandatory that cable TV operators offer at least one channel designated exclusively for programming consisting of independently produced Brazilian cinematographic or audiovisual works.

Paragraph 1. The commercial conditions of that channel shall be determined by the program sources and the operators.

Paragraph 2. The Ministry of Culture shall issue rules pertaining to the accreditation and qualification of the program sources that develop the programming, as well as other conditions pertaining to the structure of the programming for the channel that is the subject of this article.

Paragraph 3. Transmission of programming on the exclusive channel must be daily, with a minimum of 12 hours of uninterrupted programming, to include the noon to midnight time period.

Article 72.

The Ministry of Culture, working with the Ministry of Communications, shall establish guidelines for provision of cable TV service that and encourage and provide incentives for the development of the national cinematographic industry and the production of feature-length, medium length, and short-subject films, cartoons, video, and multimedia by independent producers in Brazil.

Article 73.

Brazilian cable operator and program source companies shall be encouraged and given incentives to invest in co-production of independent Brazilian audiovisual and cinematographic works.

Article 74.

Anyone who feels adversely impacted by a practice of a cable TV operator or telecommunications concessionaire, or by conditions that impede or hamper the use of channels or of the service, may petition the Ministry of Communications, which must review the matter within

30 days and may call a public hearing if it deems it necessary.

Chapter VI - Use of the Networks

Article 75.

In the event that a telecommunications concessionaire furnishes the Telecommunications Transmission Network to a cable TV operator, the following provisions shall be observed:

I - The telecommunications concessionaire may not interfere in any way with the content of the transmitted programs, nor be held liable for them;

II - The telecommunications concessionaire may not discriminate among the various cable TV operators, especially with respect to prices and commercial conditions;

III - The telecommunications concessionaire may reserve part of its capacity that is designated for transmission of cable TV signals for common use by all operators in the transmission of the basic channels that are intended for use free of charge;

IV - The telecommunications concessionaire may offer ancillary services, such as billing and collection of cable TV subscription fees, and network maintenance and management services; and

V - Contracts between the telecommunications concessionaire and the cable TV operator shall remain available for consultation by any interested party.

Sole Paragraph. The provisions of this article also apply to cases where the telecommunications concessionaire furnishes the Local Network of TV Signal Distribution.

Article 76.

The Ministry of Communications shall establish a price and tariff policy and other conditions to be observed by the telecommunications concessionaire.

Article 77.

In the event that a telecommunications concessionaire does not furnish the Telecommunications Transmission Network to a cable TV operator, the latter shall, at its discretion, decide whether to build his own network and in such case he may, by contract, have access to the ducts and utility poles owned by the telecommunications concessionaire.

Paragraph 1. The provisions of this article also apply to cases whether the telecommunications concessionaire does not furnish the Local Network of TV Signal Distribution.

Paragraph 2. In no event may a cable TV operator use the facilities owned by the telecommunications concessionaire without prior authorization from that concessionaire, pursuant to applicable rules.

Article 78.

In the event that a cable TV operator installs a Telecommunications Transmission Network or segments of such network, its available capacity may be used by the telecommunications concessionaire by contract between the parties for provision of public telecommunications services, as well as by another cable TV operator exclusively for provision of cable TV service.

Paragraph 1. The marketing conditions must be fair, reasonable, nondiscriminatory and compatible with the price and tariff policy established by the Ministry of Communications.

Paragraph 2. Contracts entered into by a cable TV operator and a telecommunications concessionaire or other cable TV operator for use of that network shall remain available for consultation by any interested party.

Article 79.

In the event a cable TV operator installs a Local Network of TV Signal Distribution, its available capacity may be used by the telecommunications concessionaire by contract between the parties for provision of public telecommunications services, as well as by another telecommunications services concessionaire or licensee.

Paragraph 1. The marketing conditions must be fair, reasonable, nondiscriminatory and compatible with usual market practice and with the corresponding costs.

Paragraph 2. Contracts for use of a Local Network of TV Signal Distribution shall remain available for consultation by any interested party.

Chapter VII - Transfer of a Concession

Article 80.

Transfer of a cable TV service concession requires prior approval by the Ministry of Communications and may not be requested until after the start of operation of the service.

Paragraph 1. Transfer of the right to execute and operate cable TV service from one to another entity constitutes a so-called "direct transfer."

Paragraph 2. Transfer of shares or quotas of the company capital to third parties, a new group of shareholder or quotaholders who come to hold the controlling interest in the entity, constitutes a so-called "indirect transfer." An indirect transfer also occurs when the controlling interest in the entity is passed to a new group of quotaholders or shareholders as a result of successive acquisitions of quotas or shares, or of an increase in company capital.

Article 81.

Both a transfer of quotas or shares representative of the company capital and an increase of the company capital that alters the proportion of holdings among partners, although not entailing a transfer of the controlling interest in the company, must be reported to the Ministry of Communications, as provided in Article 29 of Law No. 8,977/95.

Chapter VIII - Renewal of the Concession

Article 82.

A cable TV operator is assured the opportunity to renew the concession, provided he:

I - Has satisfactorily fulfilled the conditions of the concession;

II - Has been complying with the regulations applicable to the service; and

III - Agrees to meet those requirements that are technically and economically viable in order to satisfy the needs of the community, including needs for modernization of the system.

Paragraph 1. Renewal of the award may not be denied for violations of which the cable TV operator was not informed, or in the event of interference with the administration of justice.

Paragraph 2. Verification of adherence to the provision in the subsections of this article shall include consultation of the public. The Ministry of Communications shall, when necessary, specify in detail the procedures for substantiating and analyzing requests for renewal.

Article 83.

If an operator has filed for renewal at the appropriate time pursuant to the established procedures and has fulfilled the provision of Article 82, his award will be considered as automatically renewed if the competent agency of the Ministry of Communications does not stipulate a requirement that he must satisfy or fails to decide on the request by the deadline set for the end of the concession.

Sole Paragraph. If a requirement has been formulated, the entity forfeits the right to automatic renewal referred to in this article.

Article 84.

At any phase in the process, the Ministry of Communications may formulate requirements to be satisfied by the concessionaire and set a deadline for compliance.

Sole Paragraph. If, owing to requirements imposed on the entity, the term of the concession expires before any decision is made on the request for renewal, the service shall be allowed to continue functioning temporarily.

Article 85.

The Ministry of Communications may at any time make renewal conditional upon adaptation by the concessionaire to technical standards adopted subsequent to the award.

Article 86.

Renewal of a concession requires the operator to pay into the Telecommunications Inspection Fund - FISTEL account a sum equivalent to the fee paid for the award.

Sole Paragraph. Failure to comply with the provision of this article shall subject the operator to forfeiture of the concession.

Article 87.

A concession may be revoked when:

I - The cable TV operator fails to file for renewal within the stipulated period, or files a petition to abandon the award;

II - It is found that the operator has not satisfactorily fulfilled the conditions of the concession;

III - It is found that the operator has not fulfilled the legal and regulatory requirements applicable to the service; and

IV - The operator does not agree to meet requirements that are technically and economically viable in order to satisfy the needs of the community.

Paragraph 1. If the situations referred to in subsections II, III and IV of this article are found to exist, the concessionaire shall be given 30 days from receipt of the notification in which to submit his defense and evidence demonstrating that the situation that was unfavorable to renewal has been reversed.

Paragraph 2. After an award has been revoked, the Ministry of Communications shall take steps to immediately interrupt the operation of the service.

Article 88.

Renewal of a concession for operation of the service by a telecommunications concessionaire shall become effective only if it is demonstrated, following a public consultation process, that no private companies are interested in operating it in the service area in question.

Article 89.

In the event that a private company is interested in operating the service, and after competitive bid proceedings have been conducted, the successful company must use the network installed by the telecommunications concessionaire and used to provide the service, provided that the technical and financial conditions thereof are fair and reasonable.

Chapter IX - Violations and Penalties

Article 90.

The penalties for violation of Law No. 8,977/95 and these regulations are as follows:

I - Warning;

II - Fine; and

III - Cancellation.

Article 91.

A fine shall be imposed for violation of any legal provision of these regulations and its supplementary rules, or when a concessionaire has not complied, within the stipulated time period, with some requirement formulated by the Ministry of Communications.

Article 92.

A fine shall be imposed in accordance with the violation committed, considering the following factors:

(a) Seriousness of the infraction;

(b) Past history of the offending entity;

(c) Specific contumacy.

Sole Paragraph. "Specific contumacy" is considered to be repetition of the infraction during the period between receipt of the notification and the decision.

Article 93.

Before deciding to impose any of the above penalties, the Ministry of Communications shall notify the interested party to exercise his right of defense within five days of receipt of the notification.

Article 94.

In violations where, in the opinion of the competent authority, imposition of a fine is not justified, the offender shall be warned. A warning shall be considered as an aggravating circumstance in the imposition of penalties for failure to observe the same or a different applicable legal or regulatory provision.

Article 95.

The penalties of warning and fine shall be imposed in light of the circumstances in which the violations were committed, and shall be made more severe in a case of contumacy.

Article 96.

Petitions for reconsideration of the above decisions may be filed with the sanctioning authority, and appeals with the authority immediately superior. These must be filed within 30 days of the notification sent to the interested party by telegram or registered letter (with return receipt requested in either case), or by publication of the notification in the OFFICIAL GAZETTE.

Article 97.

An operator shall be subject to cancellation of his concession if he:

I - Demonstrates lack of technical competence by failing to comply with legal requirements pertaining to the execution of the service;

II - Demonstrates lack of legal competence;

III - Demonstrates lack of business and financial competence;

IV - Subjects the control or management of the company to persons who are not qualified pursuant to Law No. 8,977/95 or these regulations;

V - Transfers for any reason and by any instrument, without first informing the Ministry of Communications, the concession to execute the service, or the control over the operator entity;

VI - Fails to begin regular operation of the service within 18 months, (which may be extended by an additional 12 months), from the date of publication of the act of award; and

VII - Interrupts, without justification, full or partial execution of the service for a period in excess of 30 consecutive days, except when prior authorization has been obtained from the Ministry of Communications.

Sole Paragraph. The penalty of cancellation shall be applied only after a court judgment.

Chapter X - Temporary Provisions

Article 98.

Entities whose authorization has been converted to a concession to operate cable TV service and that have not yet begun operations shall have 30 days from the publication of these regulations in which to submit to the Ministry of Communications the timetable for implanting the system that is referred to in Article 24(b) of these regulations.

Sole Paragraph. Said timetable must clearly indicate an initiation of system operations within the period stipulated in Article 42(3) of Law No. 8,977/95.

Chile

Mining Minister Interviewed on 1996 Budget Prospects

PY0410220595 Santiago ESTRATEGIA in Spanish 3 Oct 95 p 23

[Interview with Mining Minister Benjamin Teplizky; place and date not given]

[FBIS Translated Text] Mining Minister Benjamin Teplizky's main concern over the past few days has been to obtain the necessary resources to finance his ministry's projects and services slated for next year. So far the first battle has been won, and very successfully, because the Finance Ministry has fully approved the budget designed for 1996; nevertheless, the joint budget subcommission from the Chamber of Deputies must still give its approval in this matter.

On the subject, the minister explains how this matter has been treated in his ministry, and within Enami [National Mining Enterprise], Enap [National Petroleum Enterprise], and the giant Copper Corporation, Codelco.

[ESTRATEGIA] The Finance Ministry has quickly approved the 1996 budget for the mining area. What is the reason for this, and what is the current figure in terms of the budget?

[Teplizky] We have been one of the first ministries to begin the bilateral working sessions in which the finance minister and the budget director are present. It was a quick and very positive stage, because although our sector has experienced very good development, it still has some deficiencies that must be overcome gradually, that is, improving the situation of the small mining companies, incorporating more science and technology into the sector, and promoting exports of nontraditional goods.

This year the total budget for the sector was increased to $19.092 billion, while the budget figure we requested for next year amounts to $21.186 billion, that is, 11 percent more. This figure includes the budget for the ministry and related services, such as the Chilean Copper Commission (Cochilco) [Comision Chilena del Cobre], the National Geology and Mining Service (Sernageomin) [Servicio Nacional de Geologia y Mineria], and the Chilean Nuclear Energy Commission, although the latter has its own minister. The budget for the ministry, however, remains practically the same as this year, because it increased only 3 precent. We have asked for $11.037 billion, while this year's budget totals $10.730 billion.

[ESTRATEGIA] How has the situation developed with regard to the budget for Enami, Codelco, Enap, and the Mineral-Metallurgical Research Center (CIMM) [Centro de Investigacion Minero Metalurgico]?

[Teplizky] The budgets of these companies are handled separately at the mining and finance ministries and then go to the Chamber of Deputies joint budget subcommission. At this moment, each of them is preparing an investment plan for next year, which must be submitted by 1 November at the latest, because Congress only has time to discuss it until 31 December.

On this matter, it is appropriate to recall that we are studying an amendment to Decree 1350 such that the presence of the mining and finance ministers in discussions on the budgets of these companies would be eliminated, because after analysis, they are sent over to the mining and finance ministries for approval. Administratively speaking, this is not reasonable.

[ESTRATEGIA] Will Codelco's budget for next year be higher than this year's?

[Teplizky] So far Codelco has submitted only one part of the budget proposal. Concerning the amount, I do not think it is higher than this year's, which was $600 million. We must not forget that Codelco's budget must be in accordance with what was initially stipulated by the government, that is, that it must hand over 100 percent of its surpluses to its owner, reduce its costs, sell the nonessential assets, etc. Moreover, we must recall that a five-year program was designed for Codelco, the amount of which fluctuates between $2.700 billion and $3 billion, which will be assessed annually.

Cuban Ambassador Meets Minister Brunner, Stresses Ties

PY0610013095 Santiago EL MERCURIO in Spanish 30 Sep 95 p C4

[FBIS Translated Text] Cuban Ambassador to Chile Aramis Fuentes yesterday stated that the Cuban Government does not rule out the possibility that Chile might support Cuba in its attempt to rejoin some international forums from which it has been excluded, such as the Rio Group.

He explained, however, that this matter has not yet been included in the bilateral agenda which is handled by the two Foreign Ministries since the resumption of full diplomatic relations back in the middle of the year.

Fuentes went yesterday to La Moneda Palace to deliver a protocol greeting to Minister Secretary General of Government Jose Joaquin Brunner.

The Cuban ambassador said it is a little early to assess his performance because after presenting his credential at the end of July, he had to return to Havana to resign from the post he was holding in Cuba.

He said that he is satisfied with the political hospitality he has found in Chile, adding that bilateral relations are going through a very good moment, which will help strengthen them.

Concerning trade between the two countries, he said that progress has been achieved, and expressed optimism about increasing trade in the future.

He said that one of the alternatives being considered is the possibility of establishing a complementation mechanism.

Asked if the Cuban political situation is understood in Chile, Aramis Fuentes explained that Chileans are a very politicized people but who are always sympathetic with them.

Uruguay's Ramos Views Possible Mercosur-Chile Accord

PY0510175195 Santiago ESTRATEGIA in Spanish 22 Sep 95 pp 9, 10

[Interview with Uruguayan Foreign Minister Alvaro Ramos in Santiago; date not given]

[FBIS Translated Text] [ESTRATEGIA] What does a partnership between Chile and Mercosur [Common Market of the South] mean to Uruguay?

[Ramos] A rapproachment with Chile means fulfilling Mercosur's desire for an opening and integration. Chile is our most important partner for political, cultural, and very pragmatic reasons: The country has made most progress in the integration field and the participation in international markets.

For Uruguay, it entails the possibility of having a partner that, some way or another, will help balance Argentina's and Brazil's policies. These negotiations must not lose sight of the final objective: That Chile may become, in a still undetermined period of time, a member of the customs union. Until this is not achieved the negotiations will be designed to establish a free trade zone.

[ESTRATEGIA] Uruguay seems to be the country most reluctant to accept a proposal made by Chile. Why?

[Ramos] That is not so, I do not think Uruguay is reluctant. At the negotiating table, Uruguay clearly stated its viewpoint and the difficulties that have to do with the fact that the customs union is conceived by a common external tariff, with certain commercial commitments, a single and joint commercial policy, and the difficulties that exist for Chile to fully join this group.

[ESTRATEGIA] Mercosur has set 30 November as the deadline to end negotiations with Chile.

[Ramos] That date was set for a logical reason. The Mercosur Council meeting and the Punta del Este Summit will be held on 7-8 December. Should an agreement be reached the most logical thing would for it to be signed by the highest authorities on that occasion.

[ESTRATEGIA] What sort of agreement do you hope to reach?

[Ramos] It is hard to say now. This is the beginning of the creation of a free trade zone. We will only know what the scope of the agreement will be in the coming months.

[ESTRATEGIA] Will the gradual tariff reduction start next year?

[Ramos] That is the idea.

[ESTRATEGIA] Will Chile be able to participate in the Mercosur institutions?

[Ramos] Not in the customs union. But in those related to the free trade zone we will obviously have to make joint decisions in some areas.

[ESTRATEGIA] Will progress be made in reducing the list of goods not subject to customs fees deduction during next week's meeting?

[Ramos] We hope to come up with a reasonable list once we confront our respective lists. We want to create a free trade zone where the exceptions will be the exception and not the rule. We have been working with the private sector and hope to come up with a negotiated shorter list.

[ESTRATEGIA] Among the sensitive products, how important is the Uruguayan agricultural sector?

[Ramos] Very important. This is probably where are biggest problem lies although I believe that in the long run we will reach an agreement for free trade and that access not be immediate. We do not want, and I think that in this respect we are quite clear, to lose what we have already achieved, the long-standing agreements on traditional goods with Chile but we are aware that the most serious problems are in the agricultural-livestock sector.

[ESTRATEGIA] Has any effort been made to make the long-standing trade agreement multilateral?

[Ramos] Yes, what we need to do now is attune it with Chile but that is great part of bilateral trade.

[ESTRATEGIA] The ideal thing then would be to gradually reduce custom tariffs on traditional goods in the shortest time possible?

[Ramos] That is right.

UDI Chairman on Reform Proposals, Atmosphere

PY0610011295 Santiago EL MERCURIO in Spanish 17 Sep 95 pp D2-D4

[Interview with Jovino Novoa, chairman of the Independent Democratic Union, UDI, by Raquel Correa; place and date not given]

[FBIS Translated Excerpt] [Correa] Did you feel like celebrating this past 11 September with champagne?

[Novoa] For us, 11 September is a date for celebrations, but I respect those who think differently.

[Correa] Didn't you feel sorry, at any time, for those who suffered badly on 11 September 1973?

[Novoa] The date 11 September is not the day to think most about those who have suffered. On that date we celebrate the anniversary of an act of true liberation. But I did think of those who suffered the day after, when I witnessed acts of violence.... This is when it was confirmed that violence in Chile has always been caused by the leftists.

[Correa] Is that the only type of violence that exists, the violence generated by those who throw stones, build barricades, break windows....

[Novoa] There are other forms of violence that are much more worrisome. Currently, there are other forms of violence in the country — the violence that affects the people in their homes, the violations. When a society starts to feel unsafe because of this, they start losing confidence in the authorities, the law, in justice. And that is very bad.

[Correa] What about repressive violence?

[Novoa] It is obvious that the right the institutions have to resort to the use of force can be misused. No person or institution is perfect.

[Correa] Neither the Chile of 20, 15, or 10 years ago?

[Novoa] When we met with Raul Rettig, he said something that struck me. He said that breaking the state of law inevitably generates violence. Inevitably. [passage omitted]

[Correa] Why do you think the country's problems worsened after [General Manuel] Contreras was sentenced?

[Novoa] They worsened noticeably after "Frei's proposal" was issued. But I admit that the court ruling in the Letelier case marked a turning point; it created a strained atmosphere. It was preceded by two or three months of a fierce campaign by the left wing. Leftist legislators even threatened the ministers of the Supreme Court with constitutional charges if they did not rule as they wanted.

[Correa] Do you object to the court ruling?

[Novoa] There can be no objection to the court ruling; it was passed down by the Supreme Court.

[Correa] General Pinochet said it was unfair.

[Novoa] People can have their viewpoints on the ruling, but it is being served.

[Correa] In your capacity as a lawyer, do you think Contreras and [Brigadier Pedro] Espinoza were sentenced without any evidence, as Pinochet has stated?

[Novoa] In my capacity as a lawyer, I know that a person can be sentenced on the grounds of admissible and concordant presumptions. This is feasible, juridically speaking. What surprised me is that when the Supreme Court reviewed the extradition request, it decided there were no grounds for it. I also strongly mistrust the testimony of an individual as sinister as [Michael] Townley. What also captures my attention is the fact that the case was transferred to another court midway through the process.

[Correa] Did you, personally, want to see Contreras sentenced?

[Novoa] Aside from the problems Jaime Guzman had with him ... because he had a very bad impression of him ... the important thing is that the sentence has been passed down. He has every right to use every available resource, but I am convinced he will ultimately serve his sentence in prison. The problem is that the leftists tried to use this ruling as an emblem, and they managed it. But it turns out that it is also an emblem for the Army. Without being charged, because people, not institutions, are brought to trial, and by turning the trial into an emblem, the military entered the scene. But the significant thing is that this ruling was passed down in compliance with an amnesty law and that, in compliance with this same law, nobody, except for members of the Armed Forces, has been tried or sentenced for crimes committed before 1978. This reveals the existence of a double "standard" [preceding word in English]. There are some 800 ongoing trials involving military officers, and no civilians.

Those guilty of crimes committed from 1978 onward and who were members of security forces are being tried. If they are condemned, they will serve their sentence. This affects the institutions. It is wrong for society to have the military officers sitting in the defendant's seat and to tell them they are going to be there for a long time. [passage omitted]

[Correa] Do you think General Pinochet today is being provoked or that he provokes?

[Novoa] He has said he feels the Army is being harassed. I think a great mistake is being made by preventing the military officers from returning to their barracks peacefully, which is what they want. Unfortunately, one can only answer one of the hundreds of charges constantly made against the military regime. I do not feel he provokes, but rather that he is provoked.

[Correa] What could this escalation lead to — mere verbal sparring, or do we run the risk of another coup or a civil war?

[Novoa] I do not see the possibility of the country going to such an extreme, no matter how unfair the situation may be. But a strained atmosphere is maintained unnecessarily, and it distracts us from the objective of returning to normalcy. I do not foresee any disaster in the future, but feel concerned and frustrated to see how we go back on our steps without any feeling for the country. People are acting without any feelings for the Armed Forces, and I told President Eduardo Frei this when he invited me to discuss his proposals. [passage omitted]

[Correa] Do you really think the government's reform project is "an insult"?

[Novoa] Yes, and I told the president so. We spent a couple of months seeking a solution to the human rights subject. We met with bishops, representatives of the evangelic church. We made a couple of proposals, but the government issued a project that took nothing we suggested into account.

[Correa] Do you think it is an insult that the government issued its own proposal and not that of the opposition....

[Novoa] No. But what does the Constitutional Court have to do with reconciliation?

[Correa] They are different projects.

[Novoa] Ahhh, that is so. They are different projects, but a single proposal. I am willing to believe in the Holy Trinity, but not that there are three different projects, but a single project.... When the president addressed the country, he said: "These projects are closely related. It would be a short-sighted or biased attitude to try to solve only some of these aspects, thus postponing the comprehensive solution to all the problems we have inherited." Therefore, once again the politicians appear as magicians.... Now we are going to get rid of the designated senators, but later on we are going to increase the number of seats in Congress; then the Security Council, the Constitutional Court.

[Correa] The purpose is to complete the transition process.

[Novoa] But they are all very different issues.

[Correa] They all have to do with democracy.

[Novoa] No. They all refer to the Armed Forces, not to the reconciliation process. If you want to make a serious proposal for a reconciliation in Chile, you have to see what the problem was. The unavoidable violence, a military government that, 17 years later, hands over power.... This means that there should be at least two protagonists for the reconciliation, and one of them is the Armed Forces. I think the proposals are completely insensitive as regards the Armed Forces. Instead of concluding the processes, the government proposal tends to open them, and declares them definitely open if the missing do not appear. Then it includes the Armed Forces Organization Law, when it knew the Armed Forces oppose it. And then some constitutional amendments. The Armed Forces are included in all of them.

[Correa] Are the Armed Forces untouchable?

[Novoa] No. But then let us not talk about reconciliation proposals. We are talking about the proposal to overrule the Armed Forces. Let us call a spade a spade.

[Correa] Do you think that adding a civilian to the Security Council and giving the president a decisive vote means overruling the Armed Forces?

[Novoa] The Constitution is a rather complex document involving dozens of powers and institutions. The Armed Forces are a small part of it. However, it is precisely issues linked to the Armed Forces that the government seeks to modify.

[Correa] You reject all the amendments of the Constitution. Do you intend the country to continue as if Alessandri and not Frei had won the elections?

[Novoa] The country elected a president and a parliament, within the framework of a juridical system that has requirements for modifying the Constitution. If these requirements are not met, the Constitution cannot be amended.

[Correa] Especially due to the designated senators. Will you still be in favor of the designated senators once they are appointed by Frei?

[Novoa] Yes. We must give things time and see how they work in practice. I believe the subject of the designated senators must be discussed in eight years time, once we have seen how the senators designated by the current administration function.

[Correa] What do you think moves Frei?

[Novoa] This administration has made many mistakes. It made a mistake with [Carabineros Director General Rodolfo] Stange. It made a serious mistake with Laguna del Desierto. You cannot accept a ruling before reading its contents. I have been criticized for rejecting a proposal that everyone knew; here a ruling in which Chile loses territory is accepted without it even being read. He made a mistake when he elected his first cabinet. In sum, so many things. I believe Frei has good intentions but makes mistakes; he has the wrong advisers. You wonder what moves Frei.... Although he won't admit it, the truth is that the leftists move Frei. The left wing moves or paralyzes him, according to the circumstances.

[Correa] Which of the projects do you believe is the most opportune?

[Novoa] The only opportune one is the one on human rights. This is why we are making a great effort to try to attune it with ours.

[Correa] According to the Constitution, the president of the Republic orders the appointments, promotions, and retirements, and according to the Organization Law, the commander in chief makes the proposals. In sum, who rules: The one who proposes or the one who orders? As the saying goes, man proposes, God disposes.

[Novoa] Of course. But Frei is not God. The president disposes according to the law. The law exists. If he wants to dispose according to his own will, he has to try to change the law. And we do not want him to change it. Countries are ruled with constitutions and laws, not with the candidates' programs. There is no harm in asking, but we have sound reasons to say that that reform is not advisable. The amendment of the Armed Forces Organization Law has failed. They do not have the necessary majority to change it. What worries me is the signal given. There cannot be a reconciliation without taking the Armed Forces' proposals into account.

[Correa] Is the UDI the mouthpiece of the Armed Forces?

[Novoa] No, no, no.

[Correa] In the political arena, the UDI seems to be the representative of the military viewpoint.

[Novoa] The Armed Forces do not need spokesmen. Regarding the Organization Law, they already stated that objection in 1993. We have our own opinion without being told what to do by others.

[Correa] Is the "Unity for Chile Pact" undergoing a crisis?

[Novoa] The pact is somewhat weakened.

[Correa] Who is responsible for that?

[Novoa] Ours is an opposition pact. That is why it is hard to understand when, instead of reaching an agreement among the pact member parties, an agreement is reached with the Coalition of Parties for Democracy [CPPD]. Democracies are strong when there is a strong opposition. The myth of consensus and agreement has been invented in Chile; in the end they always end up in a compromise. I believe that a solid democracy requires a clear opposition.

[Correa] Senator Hernan Larrain told HOY that you are willing to talk, but not agree.

[Novoa] There are key issues regarding which one already has a set viewpoint. I already have my viewpoint regarding constitutional issues, and have stated it time and again. The day they show me we are doing something wrong, then we will see what changes are necessary.

[Correa] What do you think about the National Renewal [RN] statement that it not only is willing to listen, but also to agree on some issues?

[Novoa] I thought RN's first statement was confusing. For a long time we met, as a pact, with CPPD member parties. We even made proposals in writing. But the government did not take any of our proposals into account. How can we be expected to react favorably to a proposal including all subjects that did not take any of our proposals into account? In the second place, we were working together on the human rights issue.... But I am not willing to bet on its success, because we also had an agreement on municipal issues that they overlooked. The constitutional issue has still not been solved. Many RN senators have publicly expressed viewpoints similar to those of the UDI.

[Correa] Could this mean the rupture of the pact or RN?

[Novoa] We have to make a great effort to keep the pact alive.

[Correa] You said that pact was not valid if the differences prevail.

[Novoa] Well, if each party does what it likes regarding such important issues, the pact loses validity. It is not possible that one day we decide to seek agreements with each other and the next day they meet with RN negotiators.... We have our viewpoint regarding the reforms, and reject the government's proposals.

[Correa] Then you should not get upset when they say you slammed the door in the government's face.

[Novoa] No door was slammed. Stability does not advise that these reforms be carried out. I am all for a deep-rooted constitutional reform when it is necessary. Not now.

[Correa] Do you think this stance will result in electoral gains?

[Novoa] I think so, but that is not our objective. Our stance reflects that of a great majority of our sector; even some RN leaders have told us so.... The CPPD has solved its internal problems in the only way it knew how to: With a great political cleansing. It postponed the issues that truly concern the country and sowed discord within the opposition.

[Correa] Is the UDI stance inflexible?

[Novoa] But of course. You must have your viewpoints on these issues.

[Correa] What will become of the Unity for Chile Pact?

[Novoa] It depends. As I was telling you, it is weakened because the opposition is fading. Moreover, a pact becomes weak when the internal agreements are not fulfilled. The biggest problem regarding the electoral law is that we had reached an agreement that was not respected. We had agreed that the person who obtained the largest number of votes would be elected mayor, and that was that. The fact that this agreement was not respected has caused unrest. [passage omitted]

Espinoza Begins Fast To Protest Joint Surveillance

PY0510023495 Madrid EFE in Spanish 2158 GMT 4 Oct 95

[FBIS Translated Excerpt] Santiago, 4 Oct (EFE) — Former Brigadier Pedro Espinoza, sentenced to six years' imprisonment for participating in the murder of former Foreign Minister Orlando Letelier, today started a hunger strike to protest a "joint surveillance" system by National Prison Police agents and Army officers at the prison where he is lodged.

This information was confirmed by the National Prison Police service of the special Punta Peuco prison, where the former brigadier has been serving his sentence since 20 June.

According to unofficial information by sources close to the military officer, Espinoza disagrees with the "joint surveillance" system the Army has asked the government for concerning General Manuel Contreras, also condemned in the Letelier case, whose transference to Punta Peuco is expected in 15 days.

According to LA SEGUNDA today, Espinoza said that since 20 June "nobody has worried about me. I have never enjoyed special custody, and wish to remain under the current system."

Rodrigo Eitel, National Renewal Party youth leader, who is acting as Espinoza's spokesman, confirmed that the brigadier has started a hunger strike to repudiate the joint surveillance decided upon for the aforementioned prison once Contreras is transferred to it.

It was learned that Espinoza is annoyed with his former institution because he believes the treatment he is given is different than that given to Contreras, his former boss in the dismantled secret police of General Augusto Pinochet's regime (1973- 90). [passage omitted]

Malaysia Interested in Increasing Bilateral Ties

PY0510175595 Santiago EL MERCURIO in Spanish 28 Sep 95 p C5

[FBIS Translated Text] The strengthening of bilateral ties and the discussion of new cooperation ties between Chile and Malaysia are some of the objectives of the state visit to Chile that Malaysian King Tuanku Ja'afar started yesterday.

The Malaysian king yesterday held a meeting at Government House with President Eduardo Frei. They discussed several issues pertaining to the two governments which were fundamental for Chile joining the Asia-Pacific Economic Cooperation, APEC.

Among the issues discussed were Malaysia's interest in agricultural development programs and the economic reforms Chile has recently implemented.

King Tuanku Ja'afar is visiting Chile in the company of his wife, Queen Tuanku Najihah. The Malaysian king and queen are visiting Chile as part of a tour that will also take them to Argentina and Uruguay. They are scheduled to depart Chile on 1 October.

After laying a wreath at the Shrine of the Fatherland, the Malaysian king was welcomed with honors due to a head of state by President Frei at Constitution Plaza. Later Frei, Tuanku Ja'afar, and their respective foreign ministers held an extensive working meeting. In addition, Quen Tuanku Najihah held a separate meeting with First Lady Marta Larraechea.

Acting Foreign Minister Mariano Fernandez said that King Tuanku Ja'afar is visiting Chile because of the close political ties uniting our two countries resulting from the joining of APEC. He added that this visit will help to prepare for the visit that President Frei is scheduled to make to Malaysia in November.

The two countries are interested in increasing bilateral trade, which has experienced an increase. Fernandez said Malaysia is interested in the Chilean economic process, which they describe as an "economic success." He explained that the Chilean experience is similar to the Malaysian experience in the privatization and export fields.

He said: "In general, they are looking for new areas for joint undertakings. One of them is in agriculture, not so much regarding trade but regarding agricultural development and research."

During a dinner held last night in the patios of La Moneda government house, President Frei awarded King Tuanku Ja'afar the "Collar of the Order of Merit of Chile," while the Malaysian king decorated Frei with the "Order of the Crown."

During the ceremony, Frei stressed the importance of developing open economies as both Malaysia and Chile have been doing. As a result of this, he said, Chilean-Malaysian trade has increased by 60 percent in the last five years.

Moreover, the Malaysian king thanked Frei for the decoration and praised what has been accomplished as a result of the establishment of bilateral ties and said this has allowed the establishment of cooperation ties in several areas, including defense.

He stressed that many of the existing barriers between the two countries, such as distance, have been overcome but that there is still much to be done, particularly regarding trade, which is still not large. He also expressed interest in increasing ties in the areas of infrastructure and industry.

Commission To Study Contaminated Grapes Case

PY0510135795 Santiago EL MERCURIO in Spanish 4 Oct 95 p C5

[FBIS Translated Text] Foreign Minister Jose Miguel Insulza reported yesterday that a top-level commission will be created to study all records related to the contaminated grapes case and the possible political and legal actions the government could take to achieve a satisfactory solution with the United States.

Although he did not set any deadline for the work of this ad hoc group, Insulza said that it could release its report in approximately 45 days.

The foreign minister's remarks were cautious, and for this reason he said that although the government does not fully reject any alternative, no false expectations will be created about what could be achieved now that U.S. Supreme Court has not admitted the petition by private individuals.

Insulza said: "I am not going to make any decision concerning the idea of reactivating the binational commission, of using other judicial resources, of resorting to the Bryan Commission; I am not going to make any decision on the matter until I have a chance to listen to this group of experts telling me which alternatives are feasible to obtain some results."

Pointing out that this matter has been pending for almost seven years, the foreign minister said that he will not make hasty conclusions or decisions.

The special commission will be chaired by Foreign Ministry Foreign Policy Director Fabio Vio, and its members will comprise Davor Harasic, state defense council vice president, and Exporters Corporation Director Cristobal Valdes.

Insulza said that in addition to the work this commission will do, he is willing to listen to the opinions of other officials and groups that have studied the case.

"I want a thorough study; I want a responsible evaluation. I believe we must always act in defense of the national interest, but acting in a realistic manner and doing what is feasible, not what is simply a publicity operation with no results," he said.

Without making any comment, the U.S. Supreme Court has refused to consider the petition submitted to that court by private Chilean individuals. With this statement, the judicial proceedings established by Chilean producers and exporters is hereby concluded. These producers and exporters have filed a suit against the U.S. Administration for the serious damage caused by the trade embargo imposed on Chilean fruit in 1989 following the alleged discovery of two grapes contaminated with cyanide.

The suit demanded from the U.S. Treasury a compensation of $210 million to cover part of the losses to Chilean businessmen that the embargo caused.

Following the failure of some diplomatic channels to find a solution to the problem, Foreign Ministry officials decided to wait for the results of the judicial proceedings undertaken by private individuals before taking any action.

"I have said that once the judicial proceedings are exhausted we will consider some political proceedings, and that is what we will attempt to do, in an orderly manner, within the next few days," Insulza said.

After lamenting the U.S. Supreme Court decision, the foreign minister said that the first aspect that must be studied is whether this resolution means the definite closure of judicial proceedings for Chile.

Stating that the government is willing to adopt all possible political and legal proceedings to find a most favorable solution, he categorically said that Chilean officials are not willing to create false expectations and to follow a course with no chance whatsoever to attain positive results.

In Valparaiso, congressmen of the special Chamber of Deputies commission who investigated the grape contamination said that the Chilean Government must resort to the Bryan-Suarez-Mujica Commission to force U.S. officials to compensate Chilean producers and exporters for the fruit embargo.

Juan Carlos Latorre (Christian Democratic Party), president of the congressional group, said that the U.S. Supreme Court decision not to admit the suit against U.S. federal agents leaves Chile in the hands of U.S. administrative officials.

Latorre said that this decision shows the extreme fragility with which Chile is facing NAFTA negotiations, and thus he favors the inclusion of this particular point in the negotiations with Washington so that in future contracts such situations will not take place again.

Colombia

Samper Orders Investigation of DEA Agents' Recordings

PA0610021895 Madrid EFE in Spanish
0132 GMT 6 Oct 95

[FBIS Translated Text] Santa Fe de Bogota, 5 Oct (EFE) — The Government of Colombian President Ernesto Samper today ordered the opening of an investigation to determine the authenticity and legality of the recordings of the alleged conversations between U.S. drug agents disclosed on Wednesday [4 Oct] at a Congressional session.

The decision of Samper was announced today by official spokespersons in Santa Fe de Bogota, few hours after the U.S. Department of State questioned the release of the conversations and demanded a prompt investigation.

The recordings were disclosed by M-19 [19 April Movement] parliamentarian Carlos Alonso Lucio in a session of the Chamber of Representatives, in which he insisted the DEA is conspiring against the Colombian Government.

Samper, who traveled on Tuesday to Germany on an official three- day visit, asked Justice Minister Nestor Humberto Martinez to request the National Police and the Prosecutor General's Office to initiate the corresponding investigation.

According to a communique issued at the Narino Palace, seat of the Colombian Presidency, the president also ordered that the Prosecutor General's Office be asked to open an action for the alleged offense of illegal violation of the communications between the ministers of defense and justice.

Martinez denounced today that the telephones in his office and those of the home of his colleague Defense Minister Juan Carlos Esguerra have been wiretapped.

"Given the seriousness of the aforementioned events, the government has asked the competent authorities to carry out the corresponding investigations as soon as possible," the declaration added.

Additionally, it states that the Colombian Government rejects the irregular and illegal procedures that adversely affect the juridical order.

The official Colombian communique followed a U.S. declaration in which Nicholas Burns, U.S. State Department spokesman, expressed his government can neither confirm nor deny the authenticity of the recordings. However, the U.S. official warned that should the recordings exist, the legality of the operation through which they were obtained should be questioned.

In addition, Burns asked that the Colombian Government "carry out a rapid and thorough investigation on the origin of these recordings," and urged it to "apply the criminal and legal sanctions against those responsible."

For Burns, "this episode suggests another worrying attack against the U.S. Government, possible aimed at diverting attention from the investigations on the narcocorruption accusations."

Samper on Official Visit to Germany; Serpa in Charge

PA0410155795 Santa Fe de Bogota Inravision
Television Canal A Network in Spanish
0000 GMT 4 Oct 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] President Ernesto Samper left today for an official visit to Germany. Before his departure, the head of state spoke about Horacio Serpa, the polemical minister in charge.

Before departing, President Samper stressed the diplomatic and economic benefits that his trip to Germany will mean for Colombia. According to the president, the idea is to reinforce and broaden the markets that our country has with its main European ally. Ernesto Samper left Horacio Serpa as minister in charge, disregarding what has been said these last few days by those who opposed that decision.

[Begin Samper recording] Minister Serpa has this responsibility not only by constitutional order of precedence, but because he has my absolute confidence. [end recording]

President Samper announced that he will continue with the tight international agenda that he has scheduled for the next few days, despite the criticism by his detractors.

Plane Failure Disrupts Bonn Agenda

PA0610041995 Santa Fe de Bogota Inravision
Television Canal A Network in Spanish
0000 GMT 6 Oct 95

[Report by Correspondent Alejandra Balcazar from Bonn, Germany; from the "Seven O'Clock Newscast" — passages within quotation marks recorded]

[FBIS Translated Text] [Balcazar] One of the most famous aircraft of the German Air Force began its trip with the Colombian delegation, but after being in the air for 20 minutes it detected a sudden failure in its turbines and had to return to Berlin. One hour later President Samper and part of the delegation boarded a commercial flight and resumed their trip. Two laters the rest of the retinue made the flight. Although the incident did not cause much alarm among the travelers, it did disrupt the agenda in Bonn, which was termed as very important, in view of his scheduled meeting with businessmen.

[Unidentified Colombian Businessman] "During this two-day visit — we still have one to go — we have detected a very favorable climate. There are sectors, such as the coal sector, which have offered us very favorable possibilities."

[Balcazar] Both governments signed an agreement to promote investments in Colombia and approximately 50 businessmen of the delegation began their task of trying to sway German businessmen.

[Unidentified Colombian Businessman] "We are trying to tell a different story about Colombia to the Germans, explaining to them that in addition to having Brazil on the South, and Mexico to the North, Colombia is in the middle."

[Balcazar] As if to respond to the communique by the workers union issued yesterday in Santa Fe de Bogota, Samper took advantage of his appearance at the Frederick Eber Foundation to tell the union his opinion.

[Samper] "Colombia is handled by crises, not by objectives, not by notes, but by crises."

[Balcazar] Germany's affluence to the country will depend on the assurances and confidence that President Samper has been able to instill in German investors.

Number of Security Cooperatives Increasing

95SM0520A Santa Fe de Bogota EL TIEMPO
in Spanish 19 Sep 95 p 8B

[Unattributed article]

[FBIS Translated Text] Although the Office of the Attorney General of the Nation and the Office of the Public Defender still object to the creation of rural security cooperatives, these organizations are beginning to make their presence felt, especially in Antioquia and the Eastern Plains.

Most of these associations, which provide community guard and security services, called Convivir, are located in Antioquia. The Superintendency of Private Vigilance and Security has granted legal status to 10 cooperatives in the municipalities of Rionegro, El Retiro, La Ceja, and Carmen de Viboral in the eastern region of the department; San Pedro de los Milagros in the northwest section; Santa Rosa de Osos in the north; Santo Domingo in the northeast; Jardin and Betulia in the southwest, and Frontino in the west.

Another 17 organizations are applying for such status.

The interior secretary of Antioquia, Pedro Juan Moreno Villa, said, "The cooperatives have been operating for barely three months and are still just starting up and getting organized with an eye towards working together with the legitimately established authorities."

In a public statement, the president of the republic, Ernesto Samper, said that these associations providing community guard and security services, called Convivir, are not armed cooperatives; they are intelligence cooperatives supporting the work of the Armed Forces.

The Attorney General's Office has reservations about the scope of the proposal that the Defense Ministry submitted last year.

During a visit to Uraba, Attorney General Orlando Vasquez again expressed his concern over the danger involved in creating new armed groups.

A report from the Office of the Public Defender to the Congress of the Republic indicates that great restraint and care must be taken so that they do not wind up being legal self-defense groups.

The cooperatives are coordinated and organized in each jurisdiction by army brigades. So far neither the Office of the Public Defender nor the Attorney General's Office has received complaints or accusations about them. No further information is available, however.

In the Plains

Meanwhile, the commander of the Fourth Army Division, Major General Marino Gutierrez Isaza, reported that a cooperative identified as Renacer is operating in Meta.

The idea is to increase the number of organizations and launch them officially in mid-November, General Gutierrez Isaza said. Without going into detail, the senior officer also said that in Casanare there is one that is "completely organized and another is in the process of being formed."

The public defender in Meta, Victor Puerto, said that he has not been notified about the establishment of Convivir in the region and, therefore, has refrained from making any statements; he did indicate, however, that his office is abiding by the guidelines of the National Public Defender's Office.

In Caldas, two security organizations that are now forming are applying for legal status and operating licenses so that they can start up late this year.

One will operate in northern Caldas, with its base in Salamina, and will undertake activities in San Felix. The 47th front of the Revolutionary Armed Forces of Colombia is operating in this livestock zone.

The other association will be operating in an area comprising the coffee-growing zone in central Caldas between the municipalities of Manizales, Chinchina, and Palestina. This zone has been hard hit by crimes such as extortion, holdups of plantations, theft, and narcotics use.

[Box, p 8B]

Limited Information

There is little information about the rural cooperatives. In eastern Antioquia, where most are operating, government officials have not received any sort of notice that they exist, and their promoters or members are unknown.

Under Decree 356 of 1994, the so-called Convivir have been established to provide community guard and security services. Their members must belong to the community and wear uniforms (though they are still not doing so), and cannot carry weapons or take part in police or military operations.

They have two broad fields of action in which to perform their mission. The first is social action, which has to do with education, health care, recreation, security, jobs, and channeling resources into the communities. The second is functional support, which is limited to communication, information, and transportation efforts for the military.

The formalities for establishing these associations include information on the activities of their members and capital of no less than 65 million pesos.

So far, these cooperatives have not been seen in regions such as the southwest and the Atlantic coast. Rodrigo Garcia Caicedo, the president of the Cordoba Ranchers Federation, said that people do not believe in such associations, which are presumably made up of inexperienced peasants trying to face off against highly trained guerrillas with access to an intelligence service.

"The defense of the rural sector is a constitutional responsibility of the State. There has been a lack of intelligence work and veteran personnel who know southern Cordoba, for example, to battle them with some chance of success," the leader remarked.

Ecuador

Further Reportage on Procedures Against Vice President

Dahik on Possible Bank Account Inquiry

PY0510143695 Madrid EFE in Spanish 0932 GMT 5 Oct 95

[FBIS Translated Text] Quito, 5 Oct (EFE) -- Reinforcing his counterattack tactic of defending himself against the censure motion he is facing in Congress, Ecuadoran Vice President Alberto Dahik stepped up his attacks against his critics.

Regarding alleged irregularities and crimes he is being charged with by Social Christian Party (PSC), the main opposition party, and particularly by Leon Febres Cordero, the Guayaquil mayor and former president (1984-1988), Dahik reasserted that "if I have not made these charges before it was out of fear, which is a very human trait."

During his rebuttal in Congress on 4 October, which in the past two days was preceded by charges raised by six deputies representing political parties that support the censure motion against him, Dahik said: "No one can say anything in this country because he might be killed."

During his rebuttal, which lasted 90 minutes and which ended at 2325, Dahik reasserted the lack of legal grounds for impeaching him on charges of bribery and crimes against national dignity.

Dahik, who will continue with his rebuttal, has adopted a counterattack strategy. He has insisted that the agreement achieved by the administration of conservative leader Sixto Duran-Ballen and the PSC went beyond the legislative framework and the sharing of budget allocations and commissions.

Dahik, who read a long list of names of those allegedly connected to the PSC appointed to important posts in state companies and the public administration, upholds that the agreement led to a joint administration [cogobierno], thus making both parties equally responsible for the crimes he is charged with.

Dahik was charged with bribery because in June he acknowledged that the administration was obliged to "buy off" judges and deputies to obtain the approval of laws and policies that benefited him.

He said that "bribery and fraud" in Guayaquil, where Febres Cordero is the mayor, "are gigantic." He also charged that private companies made donations to the Guayaquil city hall, and compared it "to the same methods used in Chicago in the 1930's," in view of which he requested that an investigation be conducted.

Dahik charged that "the judicial system is completely controlled." He cited as examples Supreme Court decisions regarding penal procedures conducted against him and Leon Febres Cordero's intercession "to stop the reading of the will of Luis Noboa, the owner of one of the main Ecuadoran business groups."

He said Febres Cordero was responsible for the fatal outcome of Nahin Isaias Barguet's kidnapping in 1986. He also requested that Febres Cordero and his family "open their accounts." He said, "this is indispensable" because the Febres Cordero family owns companies "that do business with the state," such as in oil and guns, among others.

In view of the fact that PSC Deputy Rafael Cuesta charged that Dahik has "millions of dollars" in a Geneva bank account, Dahik said he is "absolutely willing" to authorize an investigation "into any bank in the world."

Addressing the unicameral ,Congress which since 2 October has been discussing a censure motion against him for alleged corruption charges, Dahik said: "I am absolutely willing to issue the proper authorization so that the accounts in Switzerland may be investigated, but certain safeguards must be adopted."

Dahik recently said that he will surrender to the state his entire patrimony, estimated in $600,000, if it is proven that either he, his spouse, or his children have bank accounts abroad.

Dahik's impeachment process started on 2 October with his defense which lasted almost six hours. This was followed by the raising of charges and the vice president's rebuttal yesterday and today.

Later, before proceeding to vote, the deputies will debate Dahik's eventual removal which must be approved by two-thirds of the Congress comprising 77 deputies.

Minister Calls For 'Reconsideration'

PY0510231595 Madrid EFE in Spanish
1932 GMT 5 Oct 95

[FBIS Translated Text] Quito, 5 Oct (EFE) — Jose Vicente Maldonado, the Ecuadoran industry and commerce minister, stated today, 5 October, that a reconsideration of President Sixto Duran-Ballen's call for the resignation of Vice President Alberto Dahik would be "the most appropriate."

In remarks to the Guayaquil newspaper EL UNIVERSO, Maldonado said: "Generally speaking, it would be best. By not impeaching the vice president (in Congress), he could remain in his post and fully support the country's private economic programs."

Duran-Ballen last Friday asked Dahik to resign, 48 hours before the start of his impeachment for presumed bribery and violations of national honor.

Citing remarks by Government Minister Abraham Romero, the industry and commerce minister said: "We would be extremely satisfied over the virtual non-impeachment of Dahik because it would allow him to complete his term" as vice president of the Republic.

He said the vice president is currently analyzing his answer to Duran-Ballen's petition, although in remarks to EFE, Dahik said "he has no reason to resign at this moment."

The fourth day of impeachment sessions began today at Congress with the rebuttal of the vice president and the beginning of a congressional debate.

Congress President Fabian Alarcon has said the proceedings could end today with a vote for the motion of impeachment. This needs the approval of two thirds of Congress, which comprises 77 deputies.

Poll: Dahik's Popularity Grows

PY0610010395 Madrid EFE in Spanish
2044 GMT 5 Oct 95

[FBIS Translated Text] Quito, 5 Oct (EFE) — A poll released today shows Ecuadoran Vice President Alberto Dahik, who is facing a motion of censure for alleged bribery, is recovering the confidence of the Ecuadoran people.

The "Cedatos" private polling company found that prior to the impeachment process only 10 percent believed Dahik but today, on the fourth day of the process, 30 percent believe him.

A "Cedatos" spokesman asserted that the Ecuadoran peoples' confidence in Dahik and in the legislators in charge of presenting the charges against the vice president is still poor.

The spokesman added: "This is because of the little confidence the people have in politicians in general. Only 28 percent believe in them."

Before the impeachment started, 71 percent of Ecuadorans believed Dahik should be dismissed but this percentage has now dropped to 63 percent according to the poll.

Dahik's popularity increased after he addressed Congress, where since Monday rather than defending himself he has attacked, especially the Social Christian Party [PSC] (the opposition). Three of the six deputies presenting evidence to endorse the vice president's possible dismissal are members of the PSC.

Before defending himself in Congress, 75 percent of the people upheld Ecuadoran President Sixto Duran-Ballen's request for Dahik to resign, now only 62 percent endorse this request according to the poll.

Duran-Ballen 'Guardian' of Dahik Documents

PY0510233295 Madrid EFE in Spanish
2046 GMT 5 Oct 95

[FBIS Translated Excerpt] Quito, 5 Oct (EFE) — President Sixto Duran-Ballen has signed a presidential decree making himself the sole guardian of the microfilmed documents of the accounts in which Vice President Alberto Dahik deposited the discretionary funds, and which are the object of judicial investigations.

Monetary Board President Ana Lucia Armijos confirmed on 5 October the existence of this decree which was supposedly signed yesterday by Duran-Ballen in view of the conflict that emerged over reports of the existence of microfilms and the possibility that they may be decisive in establishing Dahik's culpability. [passage omitted]

The discretionary funds assigned since 1992 for the Vice Presidency, some $8 million at the current exchange rate, were handled mostly in a private commercial bank, not in the Central Bank. Two directors of this private bank were Dahik's secretaries. They are now fugitives of the courts. [passage omitted]

The movement of said accounts, which were in Dahik's name in some cases, are on a microfilmed document which may become the most important evidence of the Supreme Court to establish the way these discretionary funds were used by the Vice Presidency.

Prior to the publication of the presidential decree, which will be released within the next few hours, the Comptroller General's office and the Superintendency of Banks were guarding the documents.

Supreme Court President Carlos Solorzano yesterday issued a resolution ordering that said documents be investigated on 15 October by experts qualified for the case and in his presence.

Following the issuance of the decree, Solorzano will be able to investigate after obtaining permission from Duran-Ballen, or in his absence, from Dahik, because the president is scheduled to leave for the Ibero-American summit on 16 and 17 October in Bariloche, Argentina.

Under the Ecuadoran Constitution, the vice president assumes the role of the president in cases of absence or illness.

Dahik Returns Money to Central Bank

PY0510234695 Madrid EFE in Spanish
2150 GMT 5 Oct 95

[FBIS Translated Text] Quito, 5 Oct (EFE) — It was learned today that Ecuadoran Vice President Alberto Dahik has returned to the Treasury some $33,500. This money refers to an unjustified expenditure, plus interest, detected by the comptroller's office made with discretionary funds allocated to the vice presidency.

The vice president faces penal proceedings by the Supreme Court of Justice (CSJ) on charges of misusing these discretionary funds.

This is also part of the motion of censure Dahik has been facing since 2 October in the unicameral Congress, on charges of alleged bribery and crimes against national dignity.

An identical sum of money, but without interest, was recently handed to the CSJ by businessman Gonzalo Rosero, who said he had received the money from Dahik's advisers who were allegedly personally interested in buying his radio station.

Rosero confessed this after learning that the money came from public funds.

Comptroller General Juan Carlos Faidutti said "the unjustified expenditure" refers to the use of discretionary funds of the vice presidency between March and June.

Faidutti said: "This expenditure should have been accounted for but that did not happen. The vice presidency has already deposited the money in the Central Bank, which settles the matter."

Faidutti said he did not know what the vice presidency had done with those funds because, he reiterated, his job is to determine if the signature of the payee exists and not to determine whether or not the payment was appropriate.

As the corresponding receipt was missing, he informed the vice presidency, who returned the money. The task of the comptroller's office had thus been completed.

Julio Cesar Trujillo, Gonzalo Rosero's attorney, said that by returning the money the vice president "admitted responsibility."

He suggested that his client will get the money back that he handed over to the CSJ once Fauditti informs the court that Dahik's office has done the same.

The vice president has not revealed what he did with those funds because the law referring to discretionary funds prevents him from doing so, but Rosero maintains he received them as an advance payment for the purchase of his radio station and that when the agreement was thwarted, he was allowed to keep it as compensation.

Regarding this issue, the CSJ has ordered the preventive custody of former Foreign Minister Diego Paredes, identified by Rosero as the middleman in the deal. Paredes stated he will defend himself from underground.

Last Phase of Impeachment Begins

PY0610003495 Quito Voz de Los Andes in Spanish 2328 GMT 5 Oct 95

[FBIS Translated Excerpt] This is HCJV La Voz de Los Andes reporting from Congress.

Economist Alberto Dahik has ended his rebuttal and, as usual, is leaving through the back door of the Congress building.

Dahik leaves after an address of approximately 85 minutes during which he did not disclose many of the details the Ecuadoran people were hoping to hear.

We will now hear what Congress President Fabian Alarcon Rivera has to say about the next steps of this impeachment process:

[Begin Alarcon recording] I ask all those people in the back rows to remain silent so that we may start the next phase of this process. I also urge legislators to sit down. We are immediately starting the debate as established in the Organization Law of the legislative branch. Legislators who put their names down to do so may address this session. I want to recall the Congress presidency's right to end the debate whenever he believes the subject has been discussed sufficiently. I will try to give every congressional bloc a chance to participate. I ask you to understand that I am unable to allow all 77 legislators to speak, but the presidency will adopt the appropriate decision once the case has been debated sufficiently. We will start the debate on the motions of censure against the vice president of the Republic immediately. It is Deputy Italo Ordonez' turn to speak. Please sit down, your names are listed in the computer. [end recording]

We can say that this political trial against economist Alberto Dahik has ended and that during his defense the vice president did not supply any new information, new ideas. The country hoped he would talk about the discretionary funds, about the specific charges against him but he has again tepidly accused the Social Christian Party and then listed the contributions he made to the government in the economic field.

Dahik also never referred to the request for his resignation by President Sixto Duran-Ballen.

As Freddy Bravo [not further identified] said this morning, the vice president was not going to resign and this is effectively what has happened. Dahik did not resign. Freddy Bravo said there was no reason for him to do so, that he would continue in his post, and that he would be acquitted by Congress by the votes cast after the legislators end their 20-minute speeches.

The vice president ended his speech with the phrase: My hands are clean and without any bloodstains, and this is how I am leaving it. He left immediately after that. Now we are waiting for the deputies to make more charges or a 20-minutes speech each. There are 77 legislators but Congress President Fabian Alarcon has said he is not going to allow all of them to talk because Congress seemingly hopes to end this impeachment process tonight or at least at dawn.

[Madrid EFE in Spanish at 2317 GMT on 5 October reports: "According to the latest estimates, the legislators who promoted the motion of censure have not managed to obtain the 52 votes necessary to dismiss the vice president, who has still not answered the request for his resignation by conservative President Sixto Duran-Ballen on Friday, 29 September."]

Congress Acquits Vice President

PY0610112495 Madrid EFE in Spanish
1034 GMT 6 Oct 95

[FBIS Translated Text] Quito, 6 Oct (EFE) — The Ecuadoran Congress today rejected a motion of censure and removal raised against the Ecuadoran vice president, Alberto Dahik, a conservative Party of Ecuador member. The motion was raised on charges of bribery and offenses to national honor.

The motion, which has been discussed since 2 October, did not have the support of at least 52 of the 77 deputies in Congress. The Constitution requires the support of two-thirds of the 77 deputies to approve it.

Forty-seven deputies had cast their vote by 0525 local time (1025 GMT). Twenty-five deputies voted against the vice president, 15 deputies acquitted him, and seven deputies abstained from voting. Thus, it is already impossible for the motion to be supported by 52 lawmakers.

During the "most notable impeachment of this century," Dahik was accused of committing bribery and seriously offending national honor. The impeachment proceedings began on 2 October, after Dahik admitted that the government had yielded to the "blackmail" of judges, deputies, and other government officials, in exchange for supporting proposals raised by the executive branch.

Central Bank Intervenes in Exchange Market, Bank System

PY0510202995 Madrid EFE in Spanish
2145 GMT 4 Oct 95

[FBIS Translated Excerpt] Quito, 4 Oct (EFE) — The Ecuadoran Central Bank has been forced to intervene in the exchange market and the bank system to control the dollar rate which saw strong demand in view of the current political crisis.

The newspaper EL UNIVERSO published today a report which cites stock exchange officials who said that, as a result of the current political crisis caused by a congressional motion of censure this week against Vice President Alberto Dahik, "people are buying large amounts of dollars for purely speculative reasons."

This situation compelled the Central Bank to sell $4 million on the exchange market to safeguard the value of the local currency, the sucre, which closed at 2,666 which is the limit of the exchange rate band established by the Central Bank. This is 22 sucres above last week's rate.

In comparison to the previous day, the U.S. dollar rate yesterday increased by 2 sucres while the inter-bank interest rate decreased by slightly over 5 points. It now stands at 47 percent, 15 points above that of 3 October.

Gustavo Pinto, chairman of the Pichincha (Quito) Industrial Chamber, told EFE that "since the current political problem was unleashed, interest rates have increased by 10 points." Moreover, he said "the Central Bank was forced to intervene in the exchange market several times this month." [passage omitted]

Guarantors, Liaison Officers Adopt Measures in Brasilia

PY0510232095 Quito Voz de Los Andes in Spanish
1700 GMT 5 Oct 95

[FBIS Translated Text] Foreign Minister Galo Leoro Franco has reported that representatives of MOMEP [Ecuador Peru Military Observers Mission] and the liaison officers from Ecuador and Peru attending the meeting which began yesterday in Brasilia, have approved the military service regulations [cartilla de conducta militar].

This move had been suspended because, following its approval, the regulations were submitted to some changes so as to make it more effective. Leoro Franco added that a number of measures were added at the meeting so as to enable humanitarian actions, like the search for bodies in the rugged areas along the border.

He said a stricter policy will be implemented to prevent friction between the two countries, adding that they also analyzed the recent performance of the MOMEP prior to the meeting of deputy foreign ministers of Ecuador and Peru today.

Air Force Training Plane Crashes

PY0510175795 Madrid EFE in Spanish 0024 GMT 5 Oct 95

[FBIS Translated Text] Quito, 4 Oct (EFE) — It was officially reported that an Ecuadoran Air Force (FAE) training plane crashed today and that the pilot survived the crash as he managed to eject himself. Through a brief communique, the Defense Ministry reported that the crash occurred at 1227 and that it was caused by "technical malfunctioning."

The plane, which was not described and which was on a training mission, had taken off minutes before from the Air Force base in Manta, a tropical city 390 km southwest of Quito.

The Defense Ministry communique did not report the site of the crash but in view of a measure prohibiting training flights in city areas, it is presumed that it was in an unpopulated area.

The communique concludes that the pilot, whose rank is not known, "is safe and at the air base in Manta."

Paraguay

Foreign Minister Continues Talks With Cuban Counterpart

PY0510212295 Asuncion ULTIMA HORA in Spanish 5 Oct 95 p 28

[FBIS Translated Text] The talks between [Paraguayan] Foreign Minister Luis Maria Ramirez Boettner and [Cuban] Foreign Minister Roberto Robaina point toward a breaking of the ice and an unfreezing of relations between Paraguay and Cuba. There have never been so many contacts between the foreign ministers as there have been recently since the rupture of relations. It must be recalled that Paraguay broke diplomatic relations with Cuba 34 years ago, in 1962, when the Caribbean island declared itself a socialist republic. Ramirez Boettner and Robaina met again in New York over the weekend of 30 September-1 October, when they spoke for one hour about the political and economic situation of their countries. This was reported by Ramirez Boettner upon his return from a 14-day trip. The foreign minister said: "I have my fourth meeting with Foreign Minister Robaina, with whom I talked about the situation in Cuba and the economic liberalization measures being implemented. We hope the island will also implement trade liberalization measures." Asked about the possibility of resuming diplomatic relations, Ramirez Boettner said: "We will talk about that." With this remark the foreign minister more less indicated that the doors are not closed to an eventual official relationship with the Caribbean island. The resuming of relations is conditioned to an opening to democracy, or at least an appreciable swing toward democracy as a system of government by Fidel Castro. This has been Paraguay's argument for a long time, and it is why the dialogue between Asuncion and Havana is being postponed. Although our foreign minister's remarks generated expectation, there is no plan to open offices in Cuba in 1996, just as there is no plan to open offices in the PRC, nations that are governed by the communist system.

The meeting between Ramirez Boettner and Robaina in New York was held within the framework of the 50th UN General Assembly, where during his 27 September address to the plenum, Ramirez Boettner asked the international community to lift the blockade, or trade embargo, that Cuba has been suffering for nearly three decades. Without doubt this can be taken as an important and positive sign to Cuba.

Wasmosy Leaves For Corumba, Brazil To Visit Mines

PY0410201795 Asuncion ULTIMA HORA in Spanish 4 Oct 95 p 13

[FBIS Translated Excerpt] Responding to an invitation by Brazilian Deputy Elicio Curvo, President Juan Carlos Wasmosy left for Corumba, Brazil, at 0700 [1000 GMT] this morning. Ruben Melgarejo Lanzoni, the private secretary and political affairs secretary of the Presidency, reported that Wasmosy has gone to Brazil to visit the iron and manganese mines.

The head of state told the press on 3 October that when he returns to Asuncion early on the afternoon of 4 October, he will give details of his visit to Corumba.

Melgarejo Lanzoni further reported that Wasmosy's administration is genuinely interested in processing these commodities in Paraguay using domestic electricity and, subsequently, gas imported from Bolivia."

Owing to this unexpected trip to Brazil — the second in the past three days (the president traveled to Curitiba on 2 October to meet with his Brazilian counterpart Fernando Henrique Cardoso) — Wasmosy did not participate in any activity at the Military Forces Command in his capacity as commander in chief of the Armed Forces, as he does every Wednesday. This activity has been rescheduled for tomorrow. [passage omitted]

Peru

Pacific Rim Countries Urge France To Suspend Nuclear Tests

PY0510212695 Madrid EFE in Spanish 2316 GMT 4 Oct 95

[FBIS Translated Text] Lima, 4 Oct (EFE) — Following the second French nuclear test on 1 October at the Fangataufa atoll, the South Pacific Permanent Commission (CPPS) general secretariat today urged the French Government to definitively suspend nuclear tests in the South Pacific.

A communique issued today states that the French nuclear explosions issue will be discussed in the upcoming fifth Ibero-American Summit in Bariloche, and the CPPS general secretariat will contact the Foreign Ministries of its member countries.

Seeking to discuss alternatives, the issue will also be broached at the 11th Nonaligned Movement Summit in Cartagena [Colombia] and at the UN General Assembly.

In so doing the CPPS member countries (Colombia, Chile, Ecuador and Peru) categorically deplored the test following the second of a series of nuclear tests announced by the French administration of Jacques Chirac.

The CPPS general secretariat added that the latest nuclear explosion that took place on 1 October signified "a serious step backward in international community efforts on nuclear disarmament and nonproliferation."

The communique states that the series of nuclear tests conducted by the French Government "constitute a potential health and security threat to Pacific rim countries, their resources and environment."

The CPPS adds that it will continue to assist the Foreign Ministries of Colombia, Chile, Ecuador and Peru to increase their ability to monitor radioactive contamination.

Protest Lodged in France Over Chauvet's Comments

PY0510203095 Madrid EFE in Spanish 2337 GMT 4 Oct 95

[FBIS Translated Text] Santiago, 4 Oct (EFE) — The Chilean Government today expressed annoyance to France over the flattering remarks by Foreign Trade Minister Christine Chauvet to the Chilean businessmen visiting France who had expressed their opposition to the Chilean policy of condemning French nuclear tests.

This was reported by Chilean Foreign Minister Jose Miguel Insulza who added that this followed statements during a seminar for Chilean businessmen in Paris.

The seminar was attended by a group of Chilean businessmen headed by Jose Antonio Guzman, chairman of the Chilean Confederation of Production and Trade, to whom Chauvet alluded.

Foreign Minister Insulza said: "Yesterday, I expressed annoyance over an remark on the subject (the French nuclear tests) during a meeting which we believed was of a strictly commercial nature."

He added that this annoyance was expressed verbally to the French Foreign Ministry through Chilean Ambassador Jose Manuel Morales.

Insulza stated that Morales was asked to tell them "that we consider it inappropriate for a French cabinet member to publicly congratulate an individual who is a member of a private delegation for expressing his opposition to Chilean Government policies."

Insulza said there was no "protest note," just a verbal protest, and "that was all."

He explained that the French and Chilean Foreign Ministries had agreed that this issue would not be raised during the Chilean commercial delegation visit and he regretted that the incident had occurred.

Chile leads Latin American opposition to the French nuclear tests in the South Pacific both at the government and social levels.

General Hermoza Rios Views Armed Forces' 'New Role'

PY0310112895 Lima EL COMERCIO in Spanish 25 Sep 95 p A4

[FBIS Translated Text] General Nicolas de Bari Hermoza Rios, president of the Armed Forces Joint Command and commander general of the Army, yesterday stressed the primordial role the Armed Forces have played in the fight against terrorism and in pacifying the country, and the new role the Armed Forces are now playing in Peruvian society.

In his message on the occasion of the Day of the Armed Forces, delivered during the ceremony held at the Army General Headquarters in Surco, Hermoza Rios said that now the military troops no longer leave the city or the fields armed only with the instruments of attack or defense, but with tractors, loading machines, rollers, and all types of equipments and tools.

He added that "a new war has been initiated, this time against poverty, a problem unlike no other and one that also violates human rights and undermines any attempt to consolidate Peru's democratic stability."

He said that never again will the constitutional stipulation providing for the Armed Forces participation in the country's economic and social development be a dead letter, and the Armed Forces will, by conviction and discipline, be subordinated to the constitutional president in that task, which is also part of the pacification strategy.

That is the new role of the Armed Forces conceived by the president of the Republic, he said.

Although the Armed Forces should feel proud of their task, it would not be honorable for them not to admit the work of other very important organizations within the framework of the government's political strategy, he said.

He also referred to the National Intelligence System, which he considered essential for the effectiveness of the intelligence services of the armed institutions and of the National Police.

He said: "To the military personnel who comprise this system, we owe our gratitude, and to the civilian personnel, who will always be under the leadership of Dr. Vladimiro Montesinos, we say that history has already reserved for them a place of privilege for their services to the fatherland."

Hermoza Rios added that, on the foreign front, one of the final stages of an armed incident generated by Ecuador is about to conclude, "and the victorious Armed Forces are here again to thank our people for the honor of being called servants of the fatherland."

JNE Head: Electoral Law Issued in 'Very Confused Manner'

PY0610112395 Lima LA REPUBLICA in Spanish 21 Sep 95 p 2

[FBIS Translated Text] Ricardo Nugent, president of the National Election Board [JNE], has warned that the electoral law approved by Congress was issued in a very confused manner, and that "it could even frustrate an electoral process" for reasons of interpretation.

But his disagreement does not end there. He also considers as "lacking any logic" the fact that according to the new law, in case of a conflict of jurisdiction in the electoral process, the problem is to be provisionally solved by the Supreme Court's Constitutional Chamber, and by the Constitutional Court when it begins operating.

"We are the highest court in the electoral proces, and we do not know why this power has been transferred to the judicial branch and to the constitutional court," he said.

Nugent focused his criticisms mainly on the fact that the definite solution to a conflict of jurisdiction has been transferred to the judicial branch, and that this "could frustrate an electoral process, because we all know that they (the judges) are not going to solve a conflict overnight."

According to the electoral law which will be in effect for the 12 November municipal elections, the JNE will resolve petitions against resolutions issued by the National Office for Electoral Processes (ONPE) [Oficina Nacional de Procesos Electorales] and by the National Registry for Identification and Civil Status (Reniec) [Registro Nacional de Identificacion y Estado Civil].

Conflicts of jurisdiction between the JNE and the offices that comprise the restructured Electoral System, however, will be resolved by the Constitutional Court, or, in absence of this, by the Supreme Court.

Referring precisely to the proposal approved by Congress and sent to the executive branch for promulgation, Nugent said that the text incorrectly uses the terms "systems," "organizations," and "offices," in such a way that "they only confuse the people."

"The term board is used instead of system, while offices are used to refer to organizations, when the only organization is the Electoral System made up of two offices and a Supreme Electoral Court (the JNE).

He acknowledged, however, that in general terms the law is "good," but that in some parts the text is confusing and obscure, and that these deficiencies could cause problems in the future.

He said that his fears with regard to this rule have to do with what might happen in the next few years.

"Neither I nor Jose Portillo will be the permanent presidents of the JNE and the ONPE, respectively. The people are changed, and if in the future one of the officials is conflictive, there will be an endless conflict."

He said that he and the members of the organization he is heading still believe that the bill the JNE submitted to Congress is the most efficient.

"Our proposal included the idea that should a conflict of jurisdiction emerge, which I can hardly believe would happen, it should be resolved within the Electoral System by the head of that system."

Referring to one of the gaps in this law, he added that it would be incredible for a system to be "headless."

Nugent said that "the Constitution implicitly states that the JNE should be that 'head,' and the Constitution grants us an oversight power. In electoral matters, it implies that we are the highest court."

He added that in his opinion, the most critical point in the approved law is based on Article Four, which he considered "unfortunate" and a "clear example of the obscurity with which it was issued."

He added that a law "must be absolutely clear and transparent so that all people can understand it and not be dependent solely on the interpretation of the jurists."

As an example of the lack of clarity he attributes to the law, he said that JNE members believe that when a conflict of jurisdiction is mentioned between any organizations other than the JNE, "neither the ONPE nor the Reniec are involved because both are part of the same organization."

Nugent said that an organization comprises a set of offices or departments that make up a body or an institution. "And for this reason, we say that the Electoral System comprises a single body, in such a manner that this Article Four refers to conflicts that might emerge between the system and some of the state branches or any of the constitutional organizations."

This article, however, practically has no raison d'etre "when, according to articles one and 20, the JNE must resolve, finally and definitively, petitions submitted against the resolutions issued by the ONPE and the Reniec."

Moreover, stressing the contradictions, he argued that Article 20 strengthens the JNE because, according to the Constitution, resolutions issued by the JNE in the exercise of its constitutional role of oversight are mandatory for the institutions that comprise the Electoral System.

Uruguay

Editorial Commends Mercosur-EU Talks, Urges 'Reflection'

PY0510234795 Montevideo EL OBSERVADOR in Spanish 14 Sep 95 p 2

[Editorial: "Mercosur and Europe"]

[FBIS Translated Text] Mercosur [Common Market of the South] and the EU have assembled for negotiations concerning a framework agreement that will be the basis for establishing a free trade zone between both blocs. This initiative deserves to be commended. The mere fact of embarking upon a joint project of such a magnitude strengthens Mercosur's international presence and obliges its members to undertake the important task of looking for common ground between them. This will contribute to consolidating this regional integration endeavor, since it forces the negotiating parties to consider Mercosur as a whole. It is also a good thing to take advantage of the different possibilities of insertion and cooperation at the international level by choosing the most suitable options. One should keep sight of the fact that Europe has always been a leading trade partner both for Uruguay and for the other Mercosur member countries. There are also all sorts of powerful traditional ties that unite us with that continent. Moreover, the fact that Spain is presiding over the EU is a particularly propitious circumstance.

Nevertheless, the positive assessment of this accord should not lead one to overlook other considerations that require reflection. First and foremost, it is a framework agreement, and as such, it is only the expression of both blocs' will to seek a political rapprochement. Still, the crucial thing is the economic and trade accord resulting from this framework agreement. Bearing this in mind, experience shows that there are strong differences between Mercosur and EU countries over trade in agricultural products. The Uruguay Round of GATT talks constitutes a terribly eloquent example of this. It would be quite unrealistic to assume that the EU will now make substantial concessions on this subject after having only recently eliminated the less important advantages provided for by the Generalized System of Preferences. This move by the EU casts doubt on its flexibility concerning nonagricultural products.

It will also be important to determine whether or not the agreement with the EU precludes Mercosur from participating in other integration schemes. As is common knowledge, the establishment of several blocs in which the leading industrial powers play a major role is on the horizon. The exclusive alignment with any one of them will have an obvious strategic meaning that must be carefully assessed from a political standpoint.

Moreover, from an economic viewpoint, the raison d'etre of any integration endeavor is the expansion of free trade and greater incorporation in the world economy. By the same token, the validity of any integration endeavor is destroyed if it isolates the parties involved in that endeavor, separating them from international flows even if they are associated with one of the leading hubs. At any rate, Mercosur — and Uruguay as a member of this common market — will have to weigh the different options, including nonparticipation in in any bloc.

Let us now await the outcome of the first round of negotiations, as it will probably give us the necessary elements to dispel some of the doubts raised at the outset of this important initiative.

Venezuela

Armed Forces Said Ready for Dec Elections

PA0610000095 Caracas Venezolana de Television Network in Spanish 0200 GMT 4 Oct 95

[Report by Melissa Soto; from "The News" newscast]

[FBIS Translated Text] The National Armed Forces [FAN] have concluded their preliminary period for the Republica 95 Plan. Beginning now, 72,800 officials, including civilians and soldiers, will be ready to provide the necessary support to the Supreme Electoral Council [CSE] in the upcoming 3 December elections.

The mission of the Republica 95 Plan is to provide protection and security, maintain order, and guarantee the transportation and availability of the electoral materials. To that end, the country has been divided into 27 zones of operation or garrison commands, located in the different states. This will allow authorities to control the 353 Electoral Boards, 8,341 polling stations, and 23,097 voting tables.

Our FAN are ready for any eventuality. In this regard, the recognition of critical areas and zones of the nation has been made.

[Begin Defense Minister Moises Orozco Graterol recording] We must prepare this operation taking the worst case scenario into consideration. In other words, should the worst case scenario happen, we should be prepared and be able to ensure to the country, with responsibility, that we will guarantee peace and order and that this process will be carried out amid complete peace and tranquility. [end recording]

As an innovative element in this process, what CSE members have called the return bag [bolsa de retorno] will be implemented.

[Begin unidentified CSE official recording, broadcast in progress] ....where Electoral Boards or better said the polling stations and voting tables are obliged to introduce in those bags all the electoral materials that may be used in any of the other processes. This will save us a lot money. [end recording]

The representatives of the highest electoral body promised the FAN that the electoral materials will be ready for 22 November. Once it is delivered, its distribution will begin throughout the country.

Central Bank Director Views Foreign Currency Shortage

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[Report by Zaida Pereira; from "The News" newscast]

[FBIS Translated Text] If the foreign exchange problem is not resolved, it will fall on the Venezuelan economy because there are no dollars to approve new requests and to cover the external needs. Domingo Maza Zavala, director of the Central Bank of Venezuela, made the aforementioned remarks.

Once more, the concern of the Exchange Administration Board [JAC] on how foreign currency is being granted and the existing need for a better study for granting the few existing dollars became evident this Tuesday, since everyone wants foreign currency for whatever purpose. Consequently, the government must seek the alternatives because we are facing a national emergency which requires the mobilization of the entire country to resolve it, without resorting to a devaluation. According to Domingo Maza Zavala, if the currency is devalued, reserves would disappear in two months.

[Begin Maza Zavala recording] This is an obvious and evident thing. If an economy like the Venezuelan economy, which operates based on foreign currency, does not have foreign currency when it needs it, the situation naturally becomes very difficult. Now, we must foster the conditions so that the flow of foreign currency adapts to the country's needs. People don't realize about this. They don't realize that we have a lack of foreign currency, an acute lack of foreign currency. [end recording]

In light of this situation, the industrial sector has expressed its concern because, without dollars this quarter, there may be a serious shortage of raw materials. Therefore, it becomes urgent to expedite the negotiations with international organizations, which this sector favors.

[Begin Pedro Carmona, president of the Venezuelan Council of Industry, recording] With these red-alert signs that have turned on as a result of the JAC's and Central Bank's remarks, I don't see any other alternative but to expedite or to accelerate, though not in a hasty manner, the negotiation of a comprehensive agreement that should be reached with the IMF. [end recording]

In any case, the industrial sector would be willing to talk to the government in order to establish joint guidelines or ways to overcome the crisis and fulfill the IMF goals in the shortest possible term.

Roundup of Economic Developments Through 3 Oct

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[FBIS Editorial Report] The following is a compilation of reports on economic developments in Venezuela monitored through 3 Oct 95.

Venezuela's international reserves dropped by $100.2 million from 18 to 25 August, according to a 26 September report datelined Caracas. The new level, $9.5749 billion, represents the lowest point so far in the year. Despite the exchange control established in 1994 and restrictions on imports established during 1995, total reserves have dropped $1.7003 billion as compared with the figure at 31 December, the Central Bank of Venezuela reported. This international reserves drop reduces the possibility of paying for the service of the Venezuelan public foreign debt, the latter being estimated at $27 billion, which forces the country to earmark close to 40 percent of the budget for amortization. (Mexico City NOTIMEX in Spanish 2335 GMT 26 Sep 95)

An item datelined Caracas 26 September reports that, according to the government's National Office of Statistics and Information Science, the Consumer Price Index [IPC] stood at 29.4 percent from January to August. In addition, inflation in August stood at 3.1 percent as compared with 2.7 percent in July and the IPC showed an accumulated variation of 32.9 percent for the August 1994-August 1995 period. (Mexico City NOTIMEX in Spanish 1837 GMT 26 Sep 95)

With the successful drilling of two exploratory wells located in Sur del Lago and Tia Juana fields in Zulia state, Lagoven, a subsidiary of Petroven, has incorporated some 16 million barrels of light and medium oil to its reserves. The first one yields 1,613 daily barrels of 27 light API grade crude oil. The second one yields 152 barrels of light 37.8 API grade crude oil daily. (Caracas EL UNIVERSAL in Spanish 26 Sep 95 p 2-14)

Authorities of the Venezuelan Investment Fund and the Venezuela Guayana Corporation have selected Merryl Lynch as investment bank for the privatization of two aluminum processing plants. (Caracas Venezolana de Television Network in Spanish 1545 GMT 26 Sep 95)

According to a 29 September report datelined Caracas, Banco Union de Venezuela's board of directors has approved the issuance of new shares and the increase of capital stock as a preliminary step to complete the announced merger with Banco Ganadero de Colombia. The new shares, equivalent to $29.4 million, will be issued in the next two months, bank president Salvatierra has announced. The capital stock will be increased by $5.8 million. The new shares will all be acquired by Banco Ganadero, which will thus control 50 percent of Banco Union's shares. In October 1994, Banco Union experienced liquidity problems and was very nearly intervened by the government. Only the announcement of merging with Banco Ganadero saved it from bankruptcy. (Madrid EFE in Spanish 1451 GMT 29 Sep 95)

An item datelined Caracas 2 October reports that, according to the National Office of Statistics and Information Science, Venezuela's imports increased by 19.7 percent from January to June as compared to the same period of time in 1994. Actual import figures are $4.992 billion. The leading import markets were the United States (44.7 percent) and Colombia (6.5 percent). The equivalent figures for purchases abroad are $2.232 billion from the United States, $326 million (from Colombia, $242 million from Germany, and $234 million from Japan. (Mexico City NOTIMEX in Spanish 2304 GMT 2 Oct 95)